



County of Los Angeles DEPARTMENT OF CHILDREN AND FAMILY SERVICES

425 Shatto Place, Los Angeles, California 90020
(213) 351-5602

DAVID SANDERS, PH.D.
Director

Board of Supervisors

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Fifth District

September 13, 2005

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**REQUEST TO APPROVE FORM AMENDMENTS NUMBER ONE TO FOSTER
FAMILY AGENCY (FFA) AGREEMENT FOR FOSTER CARE AND TO GROUP HOME
(GH) FOSTER CARE SERVICES AGREEMENT
(ALL SUPERVISORIAL DISTRICTS) (3 VOTES)**

**JOINT RECOMMENDATION WITH THE CHIEF PROBATION OFFICER OF
PROBATION DEPARTMENT THAT YOUR BOARD:**

1. Approve the attached Form Amendment Number One (Attachment a) to Foster Family Agency (FFA) Agreement for Foster Care and delegate authority to the Director of the Department of Children and Family Services (DCFS), to execute the Amendments with the Foster Family Agencies listed on Attachment c and Refugio Para Los Ninos Foster Family Agency, effective the date of execution by the Director of DCFS. The funding for the Agreements is included in the DCFS Assistance Budget for FY 2005-06. The estimated placement costs is \$126.2 million for the Foster Family Agency program, using Federal, State, and County funds.

2. Approve the attached Form Amendment Number One (Attachment b) to Group Home (GH) Foster Care Services Agreement and delegate authority to the Director of the Department of Children and Family Services (DCFS) and the Chief Probation Officer of the Probation Department to execute the Amendments with Group Home Providers listed on Attachment d, effective November 1, 2005. The funding for the Agreements is included in the DCFS Assistance Budget for FY 2005-06. The estimated placement costs for the Group Home program is \$204.4 million, are financed using Federal, State, and County funds.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On October 19, 2004, your Board Motion instructed DCFS to collaborate with the Auditor-Controller, the Chief Administrative Office, and the County Counsel to strengthen sections of the FFA and GH Agreements that pertain to fiscal accountability. The recommended actions will serve to strengthen fiscal provisions of the FFA and GH Agreements, as well as modify sections pertaining to dispute resolution, fixed assets, due process, use of funds, and payments and vouchers. The Auditor-Controller Handbook, Exhibit C-I in the FFA Agreement (Attachment e); and Exhibit C-2 in the GH Agreement (Attachment f), has been revised to enhance fiscal accountability. Exhibit E, The Semi-Annual Revenue and Expenditure Report) of the FFA Agreement (Attachment g) and the Semi-Annual Expenditure Report of the GH Agreement (Attachment h) is revised to be consistent with Amendment provisions.

The recommended actions will introduce the Auditor-Controller/Department of Children and Family Services Fiscal/Audit Phases protocol, Exhibit C-II in the FFA Agreement (Attachment i); and Exhibit C-3 in the GH Agreement (Attachment j). These documents serve to detail the fiscal audit processes of DCFS and the Auditor-Controller.

Although, the Probation Department does not utilize FFA services, it does utilize GH services for its Probation youth who are in need of such placements. Therefore, the GH Amendments need execution by the Chief Probation Officer as well.

Implementation of Strategic Plan Goals The recommended actions are consistent with the principles of the Countywide Strategic Plan, Goal # 5, Children and Families Well-Being. They will improve the well being of children and families in Los Angeles County as measured by the achievements in the five outcome areas adopted by the Board: good health; economic well being; safety and survival; social and emotional well being; and educational/workforce readiness. The recommended actions will enable DCFS to

work collaboratively with foster family agencies and group home providers to continue providing a safe, protective, and nurturing environment for children and provide for enhanced fiscal accountability.

FISCAL IMPACT/FINANCING

There is no additional cost associated with these Amendments. The funding is included in the DCFS FY 2005-06 Assistance Budget. The estimated placement cost for the GH program is \$204.4 million and \$126.2 million for the FFA program. GH and FFA program costs are financed using approximately 29% Federal, 28% State, and 43% NCC.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

DCFS currently contracts with 73 Foster Family Agencies, and 153 Group Homes for the provision of foster care services. The FFA Agreement was adopted by your Board on August 12, 2003. The term of the FFA Agreement is September 1, 2003 through August 31, 2004 with two optional one-year renewal periods, and a six-month extension, if necessary, to complete the negotiation or solicitation of a new contract. The Master Group Home Agreement was adopted by your Board on October 19, 2004. The term of the Group Home Agreement is November 1, 2004 through October 31, 2005, with two optional one-year renewal periods, and a six-month extension, if necessary, to complete the negotiation or solicitation of a new contract.

Foster Family Agencies train and certify foster parents who provide out-of-home care in a family home setting for the population of children who are supervised by DCFS. Group Homes provide out-of-home care to the population of children who require a more structured environment than can be provided in a family home setting.

Per the Board motion on October 19, 2004, because the GH and FFA contracts did not include the necessary fiscal-related provisions recommended by the Auditor-Controller, and other provisions recommended by County Counsel, DCFS is now amending these contracts to include the recommended changes.

As instructed by your Board, the Amendments to the contracts are to strengthen fiscal accountability and other provisions such as program cost allocations, administrative salaries and compensation, expenditure of funds received from the County.

The Amendments were reviewed by FFA and GH providers, as well as the Association of Community Human Service Agencies (ACHSA), and all comments received were taken into consideration. DCFS made as many changes as possible to accommodate the comments and input but still comply with the fiscal requirements of the Board motion.

In addition, Refugio Para Los Ninos Foster Family Agency has a separate and independent contract for foster care services, which was approved and adopted by your Board on April 28, 2005, than those 73 FFAs listed in Attachment c. Language reflecting strengthened fiscal provisions, and an earlier version of the Audit Phases protocol were included in the Refugio contract. However, because provisions are modified, Refugio is included in this amendment to facilitate their receipt of updated fiscal provisions and Exhibits to their Agreement.

The Amendments were reviewed and approved by County Counsel as to form. County Counsel and the CAO have reviewed this Board letter.

CONTRACTING PROCESS

There is no additional contracting process needed for this action. The Amendments are to modify provisions in the executed contract.

IMPACT ON CURRENT SERVICES

Approval of these Amendments will strengthen the fiscal provisions of the FFA and GH foster care services agreements, and will enhance DCFS' ability to improve the well being of foster children.

CONCLUSION

Upon approval by the Board of Supervisors, it is requested that the Executive Officer/Clerk of the Board send an adopted copy of the Board Letter to:

1. Department of Children and Family Services
Contracts Administration
Attention: Walter Chan, Manager
425 Shatto Place, Room 400
Los Angeles, CA 90020
2. Probation Department
Contracts Management Division
Attention: Yolanda Young, Director
9150 East Imperial Highway, Room A-66
Downey, California 90242
3. Office of the County Counsel
Attention: Janice Kasai, Deputy County Counsel
201 Centre Plaza Drive, Suite 1
Monterey Park, CA 91754

Respectfully submitted,

DAVID SANDERS, Ph.D.
Director
Department of Children and Family Services

PAUL HIGA
Chief Probation Officer
Probation Department

DS:fc

Attachments (12)

- c: Chief Administrative Office
Auditor-Controller
County Counsel

AMENDMENT NUMBER ONE TO FOSTER FAMILY AGENCY AGREEMENT FOR FOSTER CARE

This Amendment Number One (hereafter, Amendment) to Foster Family Agency Agreement for foster care (hereinafter, Agreement) is made and entered into at Los Angeles, California this _____ day of _____, 2005, by and between the County of Los Angeles (hereinafter "COUNTY") and _____INSERT NAME_____, (hereinafter "CONTRACTOR").

W I T N E S S E T H

WHEREAS, on August 12, 2003, the Board of Supervisors granted authority to the Director of Department of Children and Family Services to execute Agreements with various licensed non-profit Foster Family Agency service providers; and

WHEREAS, the Board of Supervisors instructed the Chief Administrative Officer, County Counsel, Auditor-Controller and the Director of Children and Family Services to increase fiscal accountability and other provisions in the Form Agreement by an Amendment to take effect on the date of execution, and

WHEREAS, in accordance with the terms and conditions of the Agreement, CONTRACTOR has been providing Foster Family Agency foster care services; and

WHEREAS, this Amendment Number One to Agreement is prepared and executed by COUNTY and CONTRACTOR as set forth in the FORM Agreement, Paragraph 22.0, CHANGES AND AMENDMENTS;

NOW THEREFORE, COUNTY and CONTRACTOR mutually agree to the following changes to the Form Agreement:

1. **TABLE OF CONTENTS**, Section Number 17.0, is re-titled to read as follows:

17.0	HOLD STATUS, DO NOT REFER STATUS, DO NOT USE STATUS, CORRECTIVE ACTION PLAN	24
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2. **TABLE OF CONTENTS**, Section Number 43.0, is re-titled to read as follows:

43.0	AGREEMENT ENFORCEMENT, OUT OF HOME CARE MANAGEMENT, MONITORING AND REVIEW.....	45
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3. **TABLE OF CONTENTS**, Section Number 54.0, is re-titled to read as follows:

54.0	REAL PROPERTY, EQUIPMENT, FIXED ASSETS.....	53
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4. **EXHIBITS**, Exhibit C, Auditor-Controller Contract Accounting and Administration Handbook, is deleted in its entirety and replaced with, Office of Management and Budget (OMB) Circular No, A-122, attached as Attachment A.
5. **EXHIBITS**, Exhibit C-I, Auditor-Controller Foster Family Agency Contract Accounting and Administration Handbook is added and is attached as Attachment B.
6. **EXHIBITS**, Exhibit C-II, AUDITOR-CONTROLLER/DEPARTMENT OF CHILDREN AND FAMILY SERVICES FISCAL/AUDIT PHASES, FISCAL/AUDITS OF FOSTER FAMILY AGENCY FOSTER CARE SERVICES CONTRACTORS, is added and is attached as Attachment C.
7. **EXHIBITS**, Exhibit E, SEMI-ANNUAL EXPENDITURE REPORT, is deleted in its entirety and replaced with a revised Exhibit E SEMI-ANNUAL EXPENDITURE REPORT, attached as Attachment D.
8. **EXHIBITS**, Exhibit N, DCFS OUT-OF-HOME CARE INVESTIGATIONS INTERNAL PROCEDURE, is deleted in its entirety and replaced with a revised Exhibit N DCFS FOSTER FAMILY AGENCY AGREEMENT INVESTIGATION/MONITORING/AUDIT REMEDIES AND PROCEDURES, attached as Attachment E.
9. **Section 1.0, APPLICABLE DOCUMENTS**, subsections 1.2 and 1.3, are amended to read as follows:
 - 1.2 Exhibits A through A-XII, B, C through CII, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, and T set forth below, are attached to and incorporated by reference in this Agreement.
 - 1.3 In the event of any conflict in the definition or interpretation of any word, responsibility, Service, schedule, or contents of a deliverable product between this Agreement and Exhibits, or among Exhibits, said conflict or inconsistency shall be resolved by giving precedence first to this Agreement, and then to the Exhibits according to the following priority:

Exhibit A	Statement of Work
Exhibit A-I	Foster Youth Bill of Rights
Exhibit A-II	Foster Family Agency (FFA) Program Statement Instructions
Exhibit A-III	Los Angeles County Department of Children and Family Services (DCFS) Amendment to LIC. 9128 (6/99) for Foster Family Agency Agreement Program Statement
Exhibit A-IV	Personal Rights – Children’s Residential Facilities
Exhibit A-V	Foster Child’s Needs and Case Plan Summary
Exhibit A-VI	Clothing Standard

Exhibit A-VII	Agency Placement Agreement
Exhibit A-VIII	Special Incident Reporting Guide for Foster Family Agencies
Exhibit A-IX	Requirements for Medical/Dental Exams for Placed Children
Exhibit A-X	Administration of Psychotropic Medicines to DCFS Supervised Children
Exhibit A-XI	Emancipation Preparation Goal Contract
Exhibit A-XII	Foster Family Agency Monthly Report
Exhibit B	Foster Family Agency's Program Statement
Exhibit C	Office of Management and Budget (OMB) Circular No. A-122
Exhibit C-I	Auditor-Controller Foster Family Agency Contract Accounting and Administration Handbook
Exhibit C-II	Auditor-Controller/Department of Children and Family Services Fiscal/Audit Phases, Fiscal/Audits of Foster Family Agency Foster Care Services Contractors
Exhibit D	Employee and CFP Acknowledgment and Confidentiality Agreement
Exhibit E	Semi-Annual Revenue and Expenditure Report
Exhibit F	Health and Safety Code 1522
Exhibit G	DCFS 4389 (4/94) Declaration in Support of Access to Juvenile Record (WIC 827) Including Additional Confidentiality Issues and CWS Handbook Procedural Guide 0500-501.20
Exhibit H	Welfare and Institutions Code Section 16001.9
Exhibit I	Welfare and Institutions Code Section 16010 and CWS Handbook Procedural Guide 0600-510.15
Exhibit J	Statement of Dangerous Behaviors
Exhibit K	Community Business Enterprise (CBE) Form
Exhibit L	Notice to Employees Regarding Federal Earned Income Credit (FEIC)
Exhibit M	Payment Resolution Notification
Exhibit N	DCFS Foster Family Agency Agreement Investigation/Monitoring/Audit Remedies and Procedures
Exhibit O	Jury Service Program
Exhibit P	Child Support Compliance Program Certification
Exhibit Q	Contractor's Equal Employment Opportunity (EEO) Certification
Exhibit R	FYI 02-08 Quality of Life
Exhibit S	Safely Surrendered Baby Law
Exhibit T	Overpayments

10. **Section 2.0, DEFINITIONS**, subsections 2.8, 2.13, 2.14, 2.17, and 2.26, are amended to read as follows:

- 2.8 **“Corrective Action Plan” or “CAP”** A CAP serves as the CONTRACTOR’s commitment to remedy deficiencies in response to findings uncovered in investigations, as further described in Section 17.1 and Exhibit N.
- 2.13 **“Do Not Refer Status” or “DNR Status”** – All new referrals to CONTRACTOR are suspended, as further discussed in Section 17.3, Do Not Refer Status, and Exhibit N.
- 2.14 **“Do Not Use Status” or “DNU Status”** – All new referrals to CONTRACTOR are suspended, and all Placed Children are removed from CONTRACTOR’s facility(ies), as further discussed in Section 17.4. Do Not Use Status, and Exhibit N.
- 2.17 **“Expended Funds” or “Expended” or “Expenditures”** – AFDC-FC funds, received through this Agreement, that are subsequently spent by CONTRACTOR for the care and Services of Placed Children. Expended funds must be reasonable and allowable in accordance with paragraph 8.3 of this Agreement. (“un-Expended Funds” or “un-Expended” are AFDC-FC funds, received through this Agreement, which are retained and not spent by CONTRACTOR. See Section 8.6 of this Agreement.)
- 2.26 **“Hold Status”** - A temporary suspension of referrals of children to CONTRACTOR by placing CONTRACTOR on Hold Status for up to a 45-day period at any time during investigations, as further defined in Section 17.2 of this Agreement, and Exhibit N.

11. **Section 2.0, DEFINITIONS**, Section 2.32.1 is added to read as follows:

2.32.1 Real Property – Land and anything growing on, attached to, or erected on it.

12. **Section 4.0, COUNTY’S RESPONSIBILITY**, subsection 4.2, is amended to read as follows:

- 4.2 COUNTY shall review CONTRACTOR’S Program Statement and any Program Statement Amendments during the term of the Agreement. In addition, COUNTY shall have the right to monitor, including but not limited to review and audit CONTRACTOR for compliance with this Agreement, Statement of Work, and all applicable rules and regulations related to FFAs. All programmatic audit reports and corrective action plans will be a matter of public record to the extent required by the California Public Records Act.

13. **Section 7.0, PAYMENTS AND VOUCHERS**, subsections 7.7, 7.8, 7.9 7.11, 7.12, and 7.13, are amended to read as follows:

- 7.7 In the event that COUNTY identifies an excess payment made to CONTRACTOR including but not limited to excess payments for clothing allowance, vouchers submitted after placement termination, and/or any other excess funds issued by COUNTY on behalf of Placed Children during the term or within five (5) years after expiration of this Agreement or Agreement extension, COUNTY will notify CONTRACTOR of such in writing. Upon receipt of such notice, CONTRACTOR and COUNTY shall attempt to resolve the discrepancy within thirty (30) Days. Within thirty (30) Days after the date of receipt of such notice, CONTRACTOR shall return the excess payment to COUNTY, execute an agreement to pay within another mutually agreed upon time frame, or register a notice of dispute with accompanying documentation to:

Division Chief, Revenue Enhancement
Department of Children and Family Services
800 S. Barranca, 4th Floor
Covina, CA 91723

In the event CONTRACTOR identifies an excess payment made by COUNTY, CONTRACTOR will notify COUNTY and, upon written confirmation by COUNTY of excess payment amount, CONTRACTOR will return all excess payments within thirty (30) Days to the address above (Exhibit T, Overpayments).

- 7.8 In the event CONTRACTOR does not return payment, or enter into an agreement for payment on a mutually agreed upon time-frame within thirty (30) Days of resolution of payment discrepancy or register a dispute within thirty (30) Days of overpayment notice, COUNTY may place CONTRACTOR on DNR Status pursuant to Section 17.0, Hold Status, Do Not Refer Status, Do Not Use Status, Corrective Action Plan. County shall provide written notice of its intention to place CONTRACTOR on a Do Not Refer Status at least 72 hours in advance. All correspondence regarding payment errors shall be sent by certified mail, and "date of receipt" for the purpose of this Section 7.0 is the date on which the correspondence is mailed or the postal receipt is signed by the recipient.
- 7.9 If CONTRACTOR registers a notice of dispute pursuant to Section 7.7, the Division Chief will evaluate the adequacy of the CONTRACTOR's written response. Within 25 calendar days of DCFS' receipt of CONTRACTOR's written response, DCFS will provide CONTRACTOR with DCFS' written response, which sets forth the required DCFS Corrective Action Plan. Should CONTRACTOR disagree with the contents of the CAP,

CONTRACTOR shall submit a response to the DCFS CAP within 15 business days via first class mail to DCFS Fiscal Monitoring Section. DCFS will review the CONTRACTOR's response to the DCFS CAP and issue a final required DCFS Corrective Action Plan within 5 calendar days. Should CONTRACTOR not comply with the Corrective Action Plan, DCFS may, in its sole discretion, exercise any and all remedies, including but not limited to placement of CONTRACTOR on Do Not Refer or Do Not Use Status.

7.11 Is deleted in its entirety and replaced with,

For overpayments, CONTRACTOR shall submit payment of any amounts due to COUNTY within thirty (30) Days after the Program Director's decision, unless CONTRACTOR appeals the decision pursuant to Section 7.0, in which case collection efforts shall be suspended until such time as there is a final resolution of the appeal.

7.12 Is deleted in its entirety and replaced with,

With regard to overpayments, COUNTY shall be entitled to pre-judgment interest at the highest rate permitted by law. With regard to underpayments, CONTRACTOR shall be entitled to pre-judgment interest at the highest rate permitted by law.

7.13 Is deleted in its entirety and replaced with,

Provided that COUNTY shall remove all Placed Children on or prior to the expiration or other termination of this Agreement, CONTRACTOR shall have no claim against COUNTY for payment of any money or reimbursement, of any kind whatsoever, after the expiration or other termination of this Agreement. Should CONTRACTOR receive any such payment it shall immediately notify COUNTY and shall immediately repay all such funds to COUNTY. Payment by COUNTY for Services rendered after expiration/termination of this Agreement shall not constitute a waiver of COUNTY's right to recover such payment from CONTRACTOR. This provision shall survive the expiration or other termination of this Agreement. Notwithstanding the foregoing, if COUNTY does not remove a Placed Child from a Certified Family Home following termination of this Agreement, COUNTY will pay based upon the Foster Family Agency Program Rates.

14. **Section 8.0, USE OF FUNDS**, subsections 8.2, 8.3, 8.5, and 8.6, are amended to read as follows:

8.2 CONTRACTOR shall use AFDC-FC funds paid to and Expended by CONTRACTOR only for the care and Services of Placed Children, in order

to maintain the standards of care and Services consistent with the Statement of Work and the AFDC-FC payments received. By August 1 of each year, CONTRACTOR shall submit to COUNTY a cost allocation plan, which provides for the reasonable allocation of CONTRACTOR's Expenditures for the then current fiscal year. CONTRACTOR's cost allocation plan shall be developed in accordance with the principles included in OMB Circular A-122 (Exhibit C) and the Auditor-Controller Contract Accounting and Administration Handbook (Exhibit C-I).

- 8.3 CONTRACTOR shall Expend foster care funds on reasonable and allowable Expenditures in providing the necessary care and Services, as specified in this Agreement, for children placed by COUNTY. The determination of reasonable and allowable Expenditures shall be in accordance with OMB Circular A-122 (Exhibit C); Manual of Policy and Procedures, Sections 11-400, 11-402, 11-403, 11-404, and 11-420; and 45 CFR 74.27 and the Auditor-Controller Contract Accounting and Administration Handbook (Exhibit C-I). Any AFDC-FC funds not Expended in accordance with the above will be disallowed on monitoring/audit, and will require repayment by CONTRACTOR. Any dispute regarding repayment of funds is subject to the provisions outlined in Section 58.0, Dispute Resolution Procedure.
- 8.5 Notwithstanding any other provision of this Agreement, in addition to all other rights to monitor, including but not limited to audit, CONTRACTOR and COUNTY agree that it is the intent of the parties that COUNTY shall have the right to audit any and all use of AFDC-FC funds, paid to and Expended by CONTRACTOR, in order to ensure that all Expended and unspent funds are accounted for and that unspent funds are held for the future benefit of Placed Children, and to determine the appropriate disposition of unallowable Expenditures.
- 8.6 Total accumulated unexpended funds (TAUF) shall include (1) CONTRACTOR's un-Expended funds; and (2) CONTRACTOR's accumulated, unexpended AFDC-FC funds received from COUNTY between September 1, 2003 through the expiration date of the most recently completed contract term. If facts suggest the possibility of fraud or significant abuse, COUNTY reserves the right to review uses of unexpended funds accumulated in periods prior to September 1, 2003. CONTRACTOR's TAUF shall be reflected on its Semi-Annual Revenue and Expenditure Report (Exhibit E).

At the end of any given CONTRACTOR fiscal year, any TAUF that is equal to or less than two months budgeted revenues for COUNTY's Foster Family Agency Program for its next fiscal year may be retained by CONTRACTOR for future use for the benefit of Placed Children for reasonable and allowable costs. The maximum level of retainable TAUF

will hereafter be referred to as the TAUF Ceiling. In the event that CONTRACTOR's TAUF, at the end of any given CONTRACTOR fiscal year, exceeds the TAUF Ceiling, CONTRACTOR shall develop a plan regarding how to utilize the TAUF for the benefit of Placed Children for reasonable and allowable costs, and shall submit the plan to Director's Deputy Director level designee for review and approval within 60 Days of the fiscal year end. Section 11-404.2 through 11-404.2.24 of the State Manual of Policy and Procedure provides examples of permissible uses of unexpended funds. Said Sections may provide a guideline for permissible uses of TAUF. However, all CONTRACTOR plans for uses of TAUF require pre-approval by the COUNTY.

If the plan is not approved, CONTRACTOR shall, in consultation with COUNTY, work to develop a revised plan that is acceptable to COUNTY within 30 days of denial of proposed plan. DCFS shall respond in writing within 25 days of receipt of CONTRACTOR's revised plan. CONTRACTOR shall respond with any proposed amendments to revised plan within 15 business days of receipt of DCFS' written response. DCFS will issue a final plan within 5 days of receipt of CONTRACTOR's amendments.

CONTRACTOR's failure to develop an appropriate plan for the utilization of excess TAUF, or the Expenditure of excess TAUF without a COUNTY approved plan shall constitute a material breach of the Agreement. In such instance, COUNTY may take appropriate action, pursuant to this Agreement, including, but not limited to, that under Section 17.0, Hold Status, Do Not Refer Status, Do Not Use Status, Corrective Action Plan, with the understanding that CONTRACTOR may appeal the final decision pursuant to the Dispute Resolution Procedures in Section 58.0.

15. **Section 9.0 FINANCIAL REPORTING**, subsection 9.6 is amended to read as follows:

- 9.6 The semi-annual expenditure report and total program cost display shall be mailed to:

DCFS
Accounting Division
Administrative Services Manager III
800 S. Barranca, 5th Floor
Covina, CA 91723

16. **Section 10.0 PROGRAM REPORTING REQUIREMENTS**, subsections 10.1, and 10.9 are amended to read as follows:

- 10.1 The CONTRACTOR and Certified Foster Parents shall report all suspected child abuse allegations and incidents to the COUNTY's Child

Protection Hotline (CAHL), as more fully described in Section 55.1, and CCLD **immediately** upon discovery.

10.9 CONTRACTOR hereby agrees to participate in the collection and reporting of outcome data related to child safety, well-being, and permanency. CONTRACTOR shall provide a monthly report to DCFS Out-of-Home Care Management Division, 9320 Telstar Avenue, El Monte, CA 91731, which shall reflect (1) the number of child abuse/neglect referrals and/or allegations which have been made regarding each Certified Foster Parent, Certified Family Home, and CONTRACTOR during the previous month; and (2) as to each child placed with CONTRACTOR, the number of changes in placement which have occurred with regard to that child, since initial placement with CONTRACTOR. The reporting requirement in this Section 10.9 shall be separate and apart from the reporting requirements described in Sections 10.1 and 55.1

17. **Section 11.0, RECORDS AND INVESTIGATIONS**, subsections 11.1, 11.5, 11.6, and 11.8, are amended to read as follows:

11.1 CONTRACTOR shall maintain and retain records on each Placed Child as required by California Code of Regulations, Title 22, Division 6, Chapter 1, Section 80070, and Chapter 8.8, Sections 88070 and 88070.1; and the relevant provisions in this Agreement, including this Section 11.0, and CONTRACTOR's Program Statement (Exhibit B). Such records shall include, but not be limited to, placement and termination documents, medical and dental records, a record of court orders allowing psychotropic medication, Placed Children's financial records (clothing, allowances, earnings, medical expenses, etc.), diagnostic evaluations and studies, Placed Child interviews, special incident reports, social worker progress notes (including treatment, school, extracurricular activities at school or in the Community, etc.), and notes on Services provided by the various professional and paraprofessional staff (treatment, recreation, child care, etc.). The records shall be in sufficient detail to permit an evaluation of Services provided. The information in the Placed Child's record, maintained at CONTRACTOR's offices, shall be confidential, kept in a locked file, and made available only to selected staff who require it for needs and Services planning.

11.5 COUNTY retains the right to inspect and conduct investigations of CONTRACTOR's program/fiscal operations and contract compliance without prior notice to CONTRACTOR, seven days a week, 24 hours a day. Unannounced audits and investigations may occur without prior notice when COUNTY, in its sole discretion, deems it necessary. CONTRACTOR will be given reasonable prior notice of routine audits and inspections. CONTRACTOR agrees that COUNTY, or its authorized

representatives, the State of California, or its authorized representatives, or the Federal Government, or its authorized representatives, including but not limited to, the U.S. Comptroller General, shall have access to and the right to inspect, examine, audit, excerpt, copy or transcribe any pertinent transaction, activity, or records relating to this Agreement. The Auditor-Controller/Department of Children and Family Services Fiscal Audit Phases, Fiscal Audits of Foster Family Agency Foster Care Services Contractors (Exhibit C-II), details the audit protocols followed by the A/C and DCFS during fiscal audit reviews.

- 11.6 Such program reviews, investigations, and/or audits shall encompass all of CONTRACTOR's financial, program, Certified Foster Parent, Subcontractor, and Placed Children's records related to Services provided under this Agreement, and any other financial transactions, as determined necessary by COUNTY to ensure that AFDC-FC funds have been accounted for and Expended in accordance with Section 8.0, Use of Funds. Methods of inspection may include, but are not limited to, the interview of CONTRACTOR's staff, insurance agents, banks, personnel, vendors and Subcontractor(s) and inspection of accounting ledgers, journals, canceled checks, timecards, personnel records, Subcontracts, space and equipment leases and other relevant books, records, worksheets and logs as appropriate for ensuring CONTRACTOR accountability of expenditures and program performance under this Agreement. CONTRACTOR's employee records may be reviewed in accordance with State and federal labor laws. CONTRACTOR shall enlist the cooperation of all Subcontractors, staff, and Board members in such efforts.
- 11.8 CONTRACTOR shall be responsible for annual or triennial financial audits, as applicable, of its agency and shall require Subcontractors to be responsible for its annual or triennial financial audits, as applicable, when required by any governmental entity (e.g. Federal government, the California Department of Social Services (CDSS), COUNTY) to be conducted by an independent audit firm and in accordance with generally accepted governmental auditing standards. Within thirty (30) days after issuance of the audit reports, CONTRACTOR shall forward copies of such reports to: DCFS, Bureau of Finance, Accounting Division, at 800 S. Barranca – 5th Floor, Covina, CA 91723, Attention: Administrative Services Manager III.
18. **Section 17.0, HOLD STATUS, DO NOT REFER STATUS, DO NOT USE STATUS, CORRECTIVE ACTION PLAN**, subsections 17.1, 17.2, 17.3, 17.4, 17.5, 17.6, and 17.7, are amended to read as follows:
- 17.0 HOLD STATUS, DO NOT REFER STATUS, DO NOT USE STATUS, CORRECTIVE ACTION PLAN

COUNTY may, during the normal course of its monitoring, place CONTRACTOR on Hold Status, Do Not Refer (DNR) Status and/or Do Not Use (DNU) Status, when the COUNTY reasonably believes, in its sole discretion, that the CONTRACTOR has engaged in conduct which may jeopardize a minor or minors; there has been a serious event that may implicate the CONTRACTOR, in issues of abuse or neglect; there is serious risk of abuse or neglect; or noncompliance with a significant administrative/fiscal/programmatic requirement of the Agreement. The local agency procedures referred to in 17.2, 17.3, and 17.4 are internal DCFS procedures and are entitled, respectively, Hold Status, Do Not Refer Status, and Do Not Use Status. DCFS may vary from the current protocol and procedures when such variance is required to protect the health and safety of Placed Children. A copy of the COUNTY's current policies and procedures is attached herein as Exhibit N.

17.1 Corrective Action Plan (CAP)

When DCFS reasonably determines in its sole discretion, that a CONTRACTOR's deficiencies are amenable to correction, DCFS may require CONTRACTOR to provide a Corrective Action Plan and DCFS and CONTRACTOR may enter into a Corrective Action Plan. A CAP shall serve as CONTRACTOR's commitment to remedy such deficiencies. The CAP procedures are further discussed in Exhibit N.

17.2 Hold Status

Notwithstanding any other provision of this Agreement, COUNTY retains the right to temporarily suspend referrals of children to CONTRACTOR by placing CONTRACTOR on Hold status, for up to a 45-day period at any time during investigations when based on prima facie evidence, DCFS reasonably believes, in its sole discretion, that the CONTRACTOR has engaged in conduct which may jeopardize a minor or minors; there has been a serious event that may implicate the CONTRACTOR, in issues of abuse or neglect; there is serious risk of abuse or neglect; or noncompliance with a significant administrative/fiscal/programmatic requirement of this Agreement for which the CONTRACTOR failed to take corrective action (when appropriate) pursuant to Section 17.1, and as further described in Exhibit N.

17.3 Do Not Refer Status

Notwithstanding any other provision of this Agreement, COUNTY retains the right to suspend referrals of children to CONTRACTOR by placing CONTRACTOR on Do Not Refer Status (DNR Status), when COUNTY reasonably believes, in its sole discretion based upon prima facie

evidence that the CONTRACTOR has engaged in conduct which may jeopardize a minor or minors; there has been a serious event that may implicate the CONTRACTOR, in issues of abuse or neglect; there is serious risk of abuse or neglect; or in issues of noncompliance with significant administrative/fiscal/programmatic requirement of this Agreement for which the CONTRACTOR failed to take corrective action (when appropriate) pursuant to Section 17.1, and as further described in Exhibit N.

When DNR Status is implemented, a CAP may be established, as provided in Exhibit N. DNR Status is removed if the CONTRACTOR conforms to the CAP in terms of content and timeframe, or as provided in Exhibit N.

17.4 Do Not Use Status

Notwithstanding any other provision of this Agreement, COUNTY retains the right to remove or cause to be removed any or all Placed Children from the CONTRACTOR's care by placing CONTRACTOR on Do Not Use Status (DNU Status), when COUNTY reasonably believes, in its sole discretion, based upon prima facie evidence that the CONTRACTOR has engaged in conduct which may jeopardize a minor or minors; there has been a serious event that may implicate the CONTRACTOR, in issues of abuse or neglect; there is serious risk of abuse or neglect; or in issues of noncompliance with significant administrative/fiscal/programmatic requirement of this Agreement for which the CONTRACTOR failed to take corrective action (when appropriate) pursuant to Section 17.1, and as further described in Exhibit N.

Under unique, warranted circumstances, a DNU Status may be rescinded, as provided in Exhibit N.

17.5 Notice Requirements

COUNTY will notify CONTRACTOR in writing within 72 hours of DCFS' decision to place CONTRACTOR on Hold or intention to implement Do Not Refer, or Do Not Use Status. Verbal notification of such actions will be provided prior to or at the time of CONTRACTOR's placement on Hold/DNR/DNU Status to the extent possible. To the extent possible and reasonable, and without interfering with any law enforcement investigation, and consistent with statutes and regulations related to confidentiality laws, notification will include the reason(s) for placing CONTRACTOR on Hold Status, or implementing Do Not Refer or Do Not Use Status.

When DNR or DNU Status is recommended, the written notification letter will also invite CONTRACTOR to participate in a Review Conference (as described in Exhibit N) to discuss the COUNTY's decision and include a deadline by which the CONTRACTOR must indicate its intent to participate in the Review Conference (please refer to Exhibit N).

17.6 Disagreement with Decision

CONTRACTOR may challenge the COUNTY action in accordance with DCFS local agency policies and procedures (please refer to Exhibit N) then in effect, and thereafter, CONTRACTOR may appeal through the dispute resolution procedures described in Section 58.0 herein.

17.7 Termination Status

Nothing herein shall preclude the COUNTY from terminating this Agreement for convenience or for default. Notwithstanding any other provision of this Agreement, in the event either COUNTY or CONTRACTOR terminates this Agreement for convenience or for default, COUNTY shall suspend referrals of children to CONTRACTOR and remove, or cause to be removed, all Placed Children from the CONTRACTOR's supervision. In such event, no DCFS local agency grievance policies and procedures will occur.

19. **Section 18.0, MUTUAL INDEMNIFICATION**, subsections 18.2, 18.3, and 18.6, are amended to read as follows:

18.2 CONTRACTOR shall indemnify, defend, and hold harmless COUNTY, its agents, officers and employees from any and all CONTRACTOR employee Worker's Compensation claims, suits, liability, or expense resulting from its performance of this Agreement and will bear the sole responsibility and liability for furnishing Worker's Compensation benefits in an amount and form to meet the State of California's statutory requirements, and in amounts as set forth in Section 20.3, to any and all CONTRACTOR personnel for injuries arising from or connected with Services performed under this Agreement.

18.3 CONTRACTOR shall indemnify COUNTY, and hold it harmless from any and all loss, damage, costs, and expenses, including reasonable attorney's fees, suffered or incurred on account of any breach by CONTRACTOR of the obligations and covenants described in subsections 18.1 and 18.2.

18.6 COUNTY shall indemnify CONTRACTOR, and hold it harmless from any and all loss, damage, costs and expenses, including reasonable attorney's

fees, suffered or incurred on account of any breach by COUNTY of the obligations and covenants described in subsections 18.4 and 18.5.

20. **Section 20.0, INSURANCE COVERAGE REQUIREMENTS**, subsection 20.1, is amended to read as follows:

20.1 General Liability insurance written on the commercial general liability ISO form CG 00 01 (occurrence) or its equivalent. Coverage written on the commercial general liability ISO form CG 00 02 (claims-made) shall be considered equivalent providing the CONTRACTOR commits to maintain such coverage for not less than two years, or provide a two year extended reporting period, commencing upon termination or cancellation of this agreement. In all cases, such general liability coverage shall include limits of not less than the following:

General Aggregate:	\$2 million
Products/Completed Operations Aggregate:	\$1 million
Personal and Advertising Injury:	\$1 million
Each Occurrence	\$1 million

Note: General Aggregate limits for Subcontractors shall be not less than \$1 million.

21. **Section 21.0, NOTICES**, subsection 21.3 is amended to read as follows:

21.3 All written notification from COUNTY regarding Corrective Action Plan, Hold Status, "Do Not Refer" or "Do Not Use" status shall be sent by Certified Mail, Return Receipt Requested.

22. **Section 34.0, TERMINATION FOR CONTRACTOR'S DEFAULT**, subsections 34.2 and 34.3, are amended to read as follows:

34.2 In the event COUNTY terminates this Agreement in whole or in part as provided in this Section, COUNTY may recover damages to the extent permitted by applicable law, subject to the terms of the Dispute Resolution, Section 58.0.

After receipt of a notice of termination, CONTRACTOR shall submit to COUNTY in the form and with the certification as may be prescribed by COUNTY, its termination claim and invoice. Such claim and invoice shall be submitted promptly. COUNTY will not accept any such invoice submitted later than three (3) months from the effective date of termination. Upon failure of CONTRACTOR to submit its termination claim and invoice within the time allowed, COUNTY may determine, on the basis of information available to COUNTY, the amount, if any, due to

CONTRACTOR in respect to the termination, and such determination shall be final. After such determination is made, COUNTY shall pay CONTRACTOR the amount so determined as full and complete satisfaction of all amounts due CONTRACTOR under this Agreement for any terminated Services, provided that such amounts may be offset against any amounts COUNTY claims are due from CONTRACTOR pursuant to the terms of this Agreement.

- 34.3 CONTRACTOR shall not be liable, if its failure to perform this Agreement arises out of causes beyond the control and without the fault or negligence of CONTRACTOR. Such causes may include, but not be limited to: acts of God or of the public enemy, acts of Federal, State, or County Governments in their sovereign capacities, fires, floods, epidemics, riots, earthquakes, quarantine restrictions, strikes, freights embargoes and unusually severe weather, but in every case, the failure to perform must be beyond the control and without the fault or negligence of CONTRACTOR.

23. **Section 37.0, TERMINATION OF AGREEMENT BY CONTRACTOR FOR CONVENIENCE**, subsection 37.1, is amended to read as follows:

- 37.1 This Agreement may be terminated when such action is deemed by CONTRACTOR to be in its best interest. Termination of this Agreement shall be effective by the delivery to COUNTY of written notice of termination pursuant to Section 21.0, Notices, specifying the date upon which such termination becomes effective. The date upon which such termination becomes effective shall be no less than ninety (90) Days after the notice is sent, unless COUNTY notices CONTRACTOR, pursuant to Section 21.0, Notices, that the termination will be effective in thirty (30) Days. In the event of a breach by COUNTY under this Agreement, CONTRACTOR shall have all remedies available at law, subject to the terms of Section 58.0.

CONTRACTOR shall submit to COUNTY in the form and with the certification as may be prescribed by COUNTY, its termination claim and invoice. Such claim and invoice shall be submitted promptly. COUNTY will not accept any such invoice submitted later than three (3) months from the effective date of termination. Upon failure of CONTRACTOR to submit its termination claim and invoice within the time allowed, COUNTY may determine, on the basis of information available to COUNTY, the amount, if any, due to CONTRACTOR in respect to the termination, and such determination shall be final. After such determination is made, COUNTY shall pay CONTRACTOR the amount so determined as full and complete satisfaction of all amounts due CONTRACTOR under this Agreement for any terminated Services, provided that such amounts may be offset

against any amounts COUNTY claims are due from CONTRACTOR pursuant to the terms of this Agreement.

24. **Section 38.0, CONTRACTOR RESPONSIBILITY AND DISBARMENT**, subsections 38.5 and 38.6, are amended to read as follows:

38.5 The Contractor Hearing Board will conduct a hearing where evidence on the proposed debarment is presented. CONTRACTOR and/or CONTRACTOR's representative shall be given an opportunity to submit evidence at that hearing. After the hearing, the Contractor Hearing Board shall prepare a tentative proposed decision, which shall contain a recommendation regarding whether CONTRACTOR should be debarred, and, if so, the appropriate length of time of the debarment. The CONTRACTOR and DCFS shall be provided an opportunity to object to the tentative proposed decision prior to its presentation to the Board of Supervisors. If CONTRACTOR fails to avail itself of the opportunity to submit evidence to the Contractor Hearing Board, CONTRACTOR may be deemed to have waived all rights of appeal.

38.6 After consideration of any objections, or if no objections are submitted, a record of the hearing, the proposed decision and any other recommendation of the Contractor Hearing Board shall be presented to the Board of Supervisors. The Board of Supervisors shall have the right to modify, deny or adopt the proposed decision and recommendation of the Contractor Hearing Board.

25. **Section 40.0, CONFLICT OF INTEREST**, subsection 40.1, is amended to read as follows:

40.1 Notwithstanding any other provision of this Agreement, no COUNTY employee whose position in COUNTY enables such employee to influence the award or administration of this Agreement or any competing Agreement, and no spouse or economic dependent of such employee, shall be employed in any capacity by CONTRACTOR herein, or have any other direct or indirect financial interest in this Agreement. No officer or employee of COUNTY who may financially benefit from the provision of Services hereunder shall in any way participate in COUNTY's approval, or ongoing evaluation of such Services, or in any way attempt to unlawfully influence COUNTY's approval or ongoing evaluation of such Services.

26. **Section 43.0, AGREEMENT ENFORCEMENT, OUT OF HOME CARE MANAGEMENT, MONITORING, AND REVIEW**, subsection 43.3, is amended to read as follows:

43.3 COUNTY or its agent will evaluate CONTRACTOR's performance under this Agreement on not less than an annual basis. Such evaluation will

include assessing CONTRACTOR's compliance with all this Agreement's terms and performance standards. CONTRACTOR deficiencies which COUNTY determines are severe or continuing and that may place performance of this Agreement in jeopardy if not corrected may be reported to the Board of Supervisors. The report may include CONTRACTOR's response to these deficiencies and improvement/corrective action measures taken by COUNTY and CONTRACTOR. If improvement does not occur in a manner consistent with such corrective action measures, COUNTY may terminate this Agreement or take action consistent with Section 17.0.

27. **Section 46.0, CHILD SUPPORT COMPLIANCE PROGRAM**, subsection 46.3, is amended to read as follows:

46.3 CONTRACTOR's Acknowledgment of COUNTY's Commitment to Child Support Enforcement.

CONTRACTOR acknowledges that COUNTY places a high priority on the enforcement of child support laws and the apprehension of child support evaders. CONTRACTOR understands that it is COUNTY's policy to encourage all COUNTY contractors to voluntarily post COUNTY's "L.A.'s Most Wanted: Delinquent Parents" poster in a prominent position at CONTRACTOR's place of business. COUNTY's Child Support Services Department will supply CONTRACTOR with the poster to be used.

28. **Section 54.0, FIXED ASSETS**, is re-titled, and subsections 54.1, 54.2, 54.3, and 54.4, are amended to read as follows:

54.0 REAL PROPERTY, EQUIPMENT, FIXED ASSETS

54.1 CONTRACTOR shall fully comply with all applicable federal, State, and County laws, ordinances, and regulations in acquiring any and all real property, furniture, fixtures, equipment, materials, and supplies with funds obtained under this Agreement.

54.2 A Fixed Asset is defined as an article of nonexpendable tangible personal property having a useful life of more than two years and an acquisition cost of \$5,000 or more of COUNTY funds per unit capitalized.

54.3 CONTRACTOR shall, for any Real Property, land or Fixed Asset costing \$35,000 or more of funds provided to CONTRACTOR through this Agreement, submit to COUNTY, at least 15 business days prior to any purchase (including Capital Leases as defined by Generally Accepted Accounting Principles (GAAP)), an analysis demonstrating that the purchase is less costly to CONTRACTOR than other leasing alternatives. CONTRACTOR shall also stipulate the source of all funds to be used for

the purchase of the subject property. In the event that any funds to be used in the purchase will be from the current year Agreement or TAUF (as defined in Section 8.6), then CONTRACTOR shall obtain COUNTY's prior written approval for the purchase by notifying COUNTY by certified mail. COUNTY shall, within 15 working days of receipt of any such request for approval, provide a written response to CONTRACTOR by certified mail. If COUNTY's response is not received within 10 working days, CONTRACTOR will notify the Director's designee.

54.4 Upon obtaining COUNTY's prior written approval, the items referenced in Section 54.3 may be purchased and owned by CONTRACTOR as provided by law. If such prior written approval is not obtained by CONTRACTOR, no title to any of the items referenced in Section 54.3 will vest with CONTRACTOR. All Fixed Assets not requiring COUNTY's prior written approval, as described in Section 54.3, shall be deemed owned by CONTRACTOR.

29. **Section 63.0, INTERPRETATION OF AGREEMENT**, subsection 63.5, is amended to read as follows:

63.5 CAPTION HEADINGS

63.5

This Agreement contains a Table of Contents with pagination. In addition, each paragraph and certain subparagraphs of this Agreement have been supplied with captions. Also, each page including exhibits, contain page numbers. The Table of Contents with pagination, captions, paragraph numbers, section numbers and page numbers serve only as guides to the contents and do not control the meaning of any paragraph or subparagraph or in any way determine this Agreement's interpretation or meaning.

**ALL OTHER TERMS AND CONDITIONS OF THE AGREEMENT REMAIN IN FULL
FORCE AND EFFECT**

**COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

AMENDMENT NUMBER ONE TO FOSTER FAMILY AGENCY AGREEMENT FOR FOSTER CARE

IN WITNESS WHEREOF, the Board of Supervisors of the COUNTY of Los Angeles has caused this Agreement to be subscribed on its behalf by the Director of the Department of Children and Family Services and the CONTRACTOR has subscribed the same through its authorized officers, as of the day, month and year first above written. The persons signing on behalf of the CONTRACTOR warrant under penalty of perjury that they are authorized to bind the CONTRACTOR.

COUNTY OF LOS ANGELES

CONTRACTOR

Name of Agency

By: _____
David Sanders, Ph.D., Director
Department of Children and
Family Services

By: _____

Name: _____

Title _____

By: _____

Name: _____

Title _____

Tax Identification Number

APPROVED ON BEHALF OF DCFS AS TO FORM:
BY THE OFFICE OF COUNTY COUNSEL
RAYMOND G. FORNTER, JR., County Counsel

By: _____
Deputy County Counsel

ATTACHMENT E

EXHIBIT N

**DCFS FOSTER FAMILY AGENCY AGREEMENT
INVESTIGATION/MONITORING/AUDIT
REMEDIES AND PROCEDURES**

**DCFS FOSTER FAMILY AGENCY AGREEMENT
INVESTIGATION/MONITORING/AUDIT REMEDIES AND PROCEDURES
(As Amended on _____)**

These internal policies and procedures are attached to the Foster Family Agency Agreement to inform CONTRACTOR's of DCFS' investigation/audit remedies and procedures. These policies and procedures are subject to revision by DCFS, upon 30 days prior written notice to CONTRACTOR (which will not require a contract amendment), and DCFS may vary from these protocols and procedures when such variance is required to protect the health and safety of the children, except that all Do Not Refer and Do Not Use actions must be approved by DCFS' Director or his/her Deputy Director level designee. Such variance may not be arbitrary and capricious, unreasonable or discriminatory.

DCFS is responsible for monitoring and investigating, as a whole, all residential facilities licensed by Community Care Licensing (CCL) to provide out-of-home care when there are allegations of child abuse, neglect or exploitation. These facilities include foster family agencies, foster family homes, group homes and small family homes. During the normal course of its monitoring or as the result of an investigation, DCFS may take action, when necessary, to protect DCFS-placed children in these facilities, including corrective action and/or "Do Not Refer/Use" status. Staff may recommend a corrective action plan, Hold, DNR, and/or DNU Status, regardless of whether law enforcement and/or CCL take similar action.

The Office of the Auditor-Controller is also responsible for audits of the contracts and administrative issues, including fiscal audit findings for all CONTRACTORs. Fiscal audit findings are not addressed in Exhibit N, except to the extent discussed below or specifically referenced in other parts of the Agreement. Nothing in this paragraph shall prevent the COUNTY from relying on the findings of the Auditor-Controller as a basis for imposing any of the Administrative Remedies provided below.

A. Administrative Remedies

DCFS may utilize one or more of the following actions in response to findings uncovered in the normal course of monitoring, as a result of investigations of abuse/neglect in out of home care, or in audits of program or fiscal contract requirements.

1. **Corrective Action Plan (CAP)** - When DCFS reasonably determines that a CONTRACTOR deficiency is correctable; a CAP shall serve as the CONTRACTOR's commitment to remedy such deficiency.
2. **Hold Status** - COUNTY retains the right to temporarily suspend referrals of children to CONTRACTOR by placing CONTRACTOR on Hold status, for up to a 45-day period at any time during investigations when based on prima facie evidence, DCFS

reasonably believes, in its sole discretion, that the CONTRACTOR has engaged in conduct which may jeopardize a minor or minors. Limited to an additional 45 days, a hold status may be extended for extenuating circumstances beyond the control of DCFS, with the understanding that the extension of Hold status on a Contractor will require the approval of the Director or his Deputy Director level designee. Hold Status may also be implemented when there has been a serious event that may implicate the CONTRACTOR, in issues of abuse or neglect; there is serious risk of abuse or neglect; or noncompliance with a significant administrative/fiscal/programmatic requirement of the GH Agreement for which the CONTRACTOR failed to take corrective action (when appropriate) pursuant to Section 17.0. A Hold request must be approved by a Division Chief.

3. **Do-Not-Refer (DNR) Status** - DNR refers to the suspension of new DCFS placements when COUNTY reasonably believes, in its sole discretion, based on prima facie evidence that the CONTRACTOR has engaged in conduct which may jeopardize a minor or minors; there has been a serious event that may implicate the CONTRACTOR in issues of abuse or neglect; there is serious risk of abuse or neglect; or in issues of noncompliance with significant administrative/fiscal/programmatic requirements of this Agreement for which the CONTRACTOR failed to take corrective action (when appropriate) pursuant to Section 17.1 of the Agreement, and as further described in Exhibit N.
4. **Do-Not-Use (DNU) Status** - DNU means that all Placed Children are removed from the CONTRACTOR's care within a specified period of time. No placement referrals may be made to the facility. Do-Not-Use Status is used when COUNTY reasonably believes, in its sole discretion, based upon prima facie evidence, that the CONTRACTOR has engaged in conduct which may jeopardize a minor or minors; there has been a serious event that may implicate the CONTRACTOR in issues of abuse or neglect; there is serious risk of abuse or neglect; or in issues of noncompliance with significant administrative/fiscal/programmatic requirements of this Agreement for which the CONTRACTOR failed to take corrective action (when appropriate) pursuant to Section 17.1 of the Agreement, and as further described in Exhibit N.
5. **Termination Hold** - In the event either COUNTY or CONTRACTOR terminates this Agreement for convenience or for default, COUNTY shall suspend referrals of children to CONTRACTOR and remove, or cause to be removed, all Placed Children prior to the effective date of termination. In such an event, the procedures described in this exhibit will not occur.

B. CAP Procedures

1. If DCFS requires/requests immediate action, oral notice is given and is followed up in writing within one business day. Corrective action must be taken within (3) calendar days from the date of verbal notification (which will be immediately followed with written notification) for the following child safety issues: a) lack of psychotropic medication authorizations; b) insufficient and/or inadequate clothing and essentials;

c) insufficient or poor food; and/or d) poor facility or environmental issues, such as sanitation or electrical problems and other situations which are hazardous.

2. Where immediate action is not required, CONTRACTOR shall submit CONTRACTOR'S proposed CAP to DCFS within 30 calendar days from receipt of written notification from DCFS (Vendor Notification Letter), the timeframe depending on the nature of the violation. The CONTRACTOR's CAP is reviewed and approved by DCFS within five business days, after which the CAP will be monitored for compliance.
3. The CAP must address each finding made in the Vendor Notification Letter. An appropriate CAP includes: the detailed action necessary to correct the deficiency; an explanation of how corrections will be implemented; an explanation of what actions will take place to ensure that the corrective action is maintained; and a thorough plan addressing prevention of subsequent violations and/or inappropriate action. Timeframes, as necessary, will be provided, as well as who is responsible for ensuring the action(s) is/are carried out. An addendum will be required if the CAP does not adequately address all issues.
4. Once approved, monitoring of the approved CAP begins. Monitoring will usually last three to six months depending on the nature of the violation. The act of monitoring may include, where necessary, unannounced visits to the home and/or agency to verify that the corrective action has been completed.
5. Once the corrective action has been completed and verified, the CONTRACTOR is notified in writing and the monitoring case is closed. A Do Not Refer or Do Not Use Status may be implemented, at the discretion of DCFS, if the requested corrective action is not completed within the agreed upon time.

C. Hold/DNR/DNU Procedures

1. A Vendor Notification Letter is sent, via fax and certified mail, within 72 hours of DCFS' decision to place CONTRACTOR on Hold, DNR or DNU Status, and verbal notification will be provided prior to or at the time of CONTRACTOR placement on Hold/DNR/DNU Status to the extent possible. To the extent possible and reasonable, and without interfering with any law enforcement investigation, and consistent with statutes and regulations related to confidentiality, notification will include the reason(s) for the Hold/DNR/DNU Status. The Vendor Notification Letter will also invite the CONTRACTOR to participate in a Review Conference and include a deadline for the CONTRACTOR's response (desire to participate) within 5 business days. Failure by the CONTRACTOR to respond by the deadline will result in default or waiver by the CONTRACTOR to proceed with the Review Conference.
2. During the Review Conference, the CONTRACTOR will meet with the Director's Deputy Director designee to discuss the investigative and/or administrative findings and to provide an opportunity for the CONTRACTOR to respond to the findings. The Review Conference will be held within 30 days of CONTRACTOR's receipt of faxed

Vendor Notification Letter of placement on Hold/DNR/DNU Status, unless CONTRACTOR waives the time limit. The Review Conference is provided to ensure that the CONTRACTOR is afforded a process for responding to allegations against them and for airing their grievances.

One week prior to the then scheduled Review Conference, the CONTRACTOR has the right to present written evidence in the form of relevant declarations, affidavits, and documents and a written statement intended to be presented during the Conference. The CONTRACTOR may also request that DCFS interview any witnesses identified by the CONTRACTOR who have not already been interviewed.

3. The Director's Deputy Director designee will conduct the Review Conference. DCFS and CONTRACTOR will both have the opportunity to present information related to the findings and each will be able to question the other with respect to each finding. Information provided by DCFS during the conference must be consistent with confidentiality laws. The CONTRACTOR may choose to seek authorization from the Juvenile Court to access additional documentation and information pertaining to the allegations, and to use such documentation and information during the Review Conference. [The authorization/approval must be in writing from the Court.] DCFS will consider any new information presented in the CONTRACTOR's written statement and information presented during the Conference.

Consistent with the informal and non-adversarial atmosphere of the review Conference, CONTRACTOR and COUNTY agree that only appropriate CONTRACTOR personnel and appropriate DCFS personnel shall participate in the Review Conference; and legal representatives shall not be present at the Review Conference.

4. The DCFS Director's designee will assess the information presented by the CONTRACTOR and make a final determination whether to withdraw the recommendation or to consult with others within DCFS with regard to the intended recommendation. This determination will be put in writing and provided to CONTRACTOR within 15 business days of the Conference.
5. Hold, DNR, or DNU Status may be lifted at any time that DCFS obtains information which leads DCFS to believe that: 1) the original basis for imposing such status is no longer applicable, or 2) Hold, DNR, or DNU status is no longer appropriate. In instances where Hold/DNR/DNU Status no longer applies, DCFS shall act as expeditiously as possible to remove CONTRACTOR from such status.

**AMENDMENT NUMBER ONE TO MASTER AGREEMENT FOR GROUP HOME
FOSTER CARE SERVICES WITH VARIOUS LICENSED NON-PROFIT
GROUP HOME SERVICE PROVIDERS**

This Amendment Number One (hereafter, Amendment) to Master Agreement for Group Home Foster Care Services (hereafter, Master Agreement) is made and entered into at Los Angeles, California this _____ day of _____, 2005, by and between the County of Los Angeles (hereafter "COUNTY") and _____ (hereinafter "CONTRACTOR").

W I T N E S S E T H

WHEREAS, on October 19, 2004 the Board of Supervisors granted authority to the Director of Department of Children and Family Services and the Chief Probation Officer to execute Master Agreements with various licensed non-profit Group Home service providers; and

WHEREAS, the Board of Supervisors instructed the Chief Administrative Officer, County Counsel, Auditor-Controller and the Director of Children and Family Services to increase fiscal accountability and other provisions in the Master Agreement by an Amendment to take effect on November 1, 2005; and

WHEREAS, in accordance with the terms and conditions of the Master Agreement, CONTRACTOR has been providing Group Home Foster Care Services; and

WHEREAS, this Amendment Number One to Master Agreement is prepared and executed by COUNTY and CONTRACTOR as set forth in the Master Agreement, Paragraph 21.0, CHANGES AND AMENDMENTS;

NOW THEREFORE, COUNTY and CONTRACTOR mutually agree to the following changes to the Master Agreement:

1. **TABLE OF CONTENTS**, Section Number 16.0, is re-titled to read as follows:

16.0 HOLD STATUS, DO NOT REFER STATUS, DO NOT USE STATUS, CORRECTIVE ACTION PLAN	25
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2. **TABLE OF CONTENTS**, Section Number 53.0, is re-titled to read as follows:

53.0 REAL PROPERTY, EQUIPMENT, FIXED ASSETS	53
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3. **EXHIBITS**, Exhibit C-1, AUDITOR-CONTROLLER CONTRACT ACCOUNTING AND ADMINISTRATION HANDBOOK, is deleted in its entirety and replaced with, Office Of Management And Budget (OMB) Circular No. A-122.
4. **EXHIBITS**, Exhibit C-2, OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULAR NO. A-122, is deleted in its entirety and replaced with, AUDITOR-CONTROLLER GROUP HOME CONTRACT ACCOUNTING AND ADMINISTRATION HANDBOOK, and is attached as Attachment 1.
5. **EXHIBITS**, Exhibit C-3, AUDITOR-CONTROLLER/DEPARTMENT OF CHILDREN AND FAMILY SERVICES FISCAL/AUDIT PHASES, FISCAL/AUDITS OF GROUP HOME FOSTER CARE SERVICES CONTRACTORS, is added and is attached as Attachment 2.
6. **EXHIBITS**, Exhibit E, SEMI-ANNUAL EXPENDITURE REPORT, is deleted in its entirety and replaced with a revised Exhibit E SEMI-ANNUAL EXPENDITURE REPORT, attached as Attachment 3.
7. **EXHIBITS**, Exhibit N, DCFS OUT-OF-HOME CARE INVESTIGATIONS INTERNAL PROCEDURE, is deleted in its entirety and replaced with a revised Exhibit N DCFS GROUP HOME AGREEMENT INVESTIGATION/MONITORING/AUDIT REMEDIES AND PROCEDURES, attached as Attachment 4.
8. **Section 1.0, APPLICABLE DOCUMENTS**, subsections 1.2 and 1.3, are amended to read as follows:
 - 1.2 Exhibits A through A-XIV, B, C-1, C-2, C-3, C-5, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, and Y set forth below, are attached to and incorporated by reference in this Agreement.
 - 1.3 In the event of any conflict in the definition or interpretation of any word, responsibility, Service, schedule, or contents of a deliverable product between this Agreement and Exhibits, or among Exhibits, said conflict or inconsistency shall be resolved by giving precedence first to this Agreement, and then to the Exhibits according to the following priority:

Exhibit A	Statement of Work
Exhibit A-I	Foster Youth Bill of Rights
Exhibit A-II	Legal Rights of Teens in Out-of-Home Care
Exhibit A-III	Group Home (GH) Program Statement Instructions
Exhibit A-IV	Personal Rights – Children’s Residential Facilities
Exhibit A-V	Probation Case Plan Form (PROB 1385) and Foster Child's Needs and Case Plan Summary (DCFS 709)

Exhibit A-VI	Clothing Standard
Exhibit A-VII	Agency Placement Agreement
Exhibit A-VIII	Special Incident Reporting Guide for Group Homes
Exhibit A-IX	Requirements for Medical/Dental Exams for Placed Children
Exhibit A-X	Administration of Psychotropic Medicines to DCFS Supervised Children
Exhibit A-XI	Emancipation Preparation Goal Contract
Exhibit A-XII	Quality and Accountability Sub-Committee Report, Placement Task Force
Exhibit A-XIII	Group Home Foster Care Program Statement as approved by the California Department of Social Services
Exhibit A-XIVa	Medical Examination Form DCFS 561(a)
Exhibit A-XIVb	Dental Examination Form DCFS 561(b)
Exhibit A-XIVc	Psychological/Other Examination Form DCFS 561(c)
Exhibit B	Format for Brief Program Description
Exhibit C-1	Office of Management and Budget (OMB) Circular No. A-122
Exhibit C-2	Auditor-Controller Group Home Contract Accounting and Administration Handbook
Exhibit C-3	Auditor-Controller/Department of Children and Family Services Fiscal/Audit Phases, Fiscal/Audits of Group Home Foster Care Services Contractors
Exhibit C-4	Exhibit C-4 is intentionally left blank
Exhibit C-5	Line Item Budget
Exhibit D	Contractor Employee Acknowledgment and Confidentiality Agreement
Exhibit E	Semi-Annual Expenditure Report
Exhibit F	Health and Safety Code 1522
Exhibit G	DCFS 4389 (4/94) Declaration in Support of Access to Juvenile Record (WIC 827) Including Additional Confidentiality Issues and CWS Handbook Procedural Guide 0500-501.20
Exhibit H	Welfare and Institutions Code Section 16001.9 and Health and Safety Code, Section 1522.41(a-c)
Exhibit I	Welfare and Institutions Code Section 16010 and CWS Handbook Procedural Guide 0080-505.20
Exhibit J	Statement of Dangerous Behaviors
Exhibit K	Exhibit K is intentionally left blank
Exhibit L	Notice to Employees Regarding Federal Earned Income Credit (FEIC)
Exhibit M	Payment Resolution Notification
Exhibit N	DCFS Group Home Agreement
	Investigation/Monitoring/Audit Remedies and Procedures
Exhibit O	Los Angeles County Code 2.203 (Jury Service Program Certification)

Exhibit P	Contractor's Certification of Compliance with Child, Spousal and Family Support Orders; and Contractor's Certification of Compliance with all Federal and State Employment Reporting Requirements
Exhibit Q	Contractor's Equal Employment Opportunity (EEO) Certification
Exhibit R	FYI 02-08 Quality of Life
Exhibit S	Safely Surrendered Baby Law Fact Sheet
Exhibit T	Overpayments
Exhibit U	Group Home Program Cost Report, SR 3
Exhibit V	Health and Safety Code, Sections 1180-1180.6
Exhibit W	Probation Quarterly Report Format
Exhibit X	Discharge Outcome and Placement Stability Report
Exhibit Y	Target Populations with Corresponding Rate Classification Levels

9. **Section 2.0, DEFINITIONS**, subsections 2.5, 2.10, 2.11, 2.14, and 2.19, are amended to read as follows:

- 2.5 **“Corrective Action Plan” or “CAP”** A CAP serves as the CONTRACTOR’s commitment to remedy deficiencies in response to findings uncovered in investigations, as further described in Section 16.1 and Exhibit N.
- 2.10 **“Do Not Refer Status” or “DNR Status”** – All new referrals to the CONTRACTOR are suspended, as further discussed in Section 16.3, Do Not Refer Status, and Exhibit N.
- 2.11 **“Do Not Use Status” or “DNU Status”** – All new referrals to the CONTRACTOR are suspended, and all Placed Children are removed from CONTRACTOR’s facility(ies), as further discussed in Section 16.4, Do Not Use Status, and Exhibit N.
- 2.14 **“Expended Funds” or “Expended” or “Expenditures”** – AFDC-FC funds, received through this Agreement, that are subsequently spent by CONTRACTOR for the care and Services of Placed Children. Expended funds must be reasonable and allowable in accordance with paragraph 8.3 of this Agreement. (“un-Expended Funds” or “un-Expended” are AFDC-FC funds, received through this Agreement, which are retained and not spent by CONTRACTOR. See Section 8.6 of this Agreement.)
- 2.19 **“Hold Status”** - A temporary suspension of referrals of children to CONTRACTOR by placing CONTRACTOR on Hold Status for up to a 45-day period at any time during investigations, as further defined in Section 16.2 of this Agreement, and Exhibit N.

10. **Section 2.0 DEFINITIONS**, subsections 2.28.1 is added and reads as follows:

2.28.1 **“Real Property”** – Land and anything growing on, attached to, or erected on it.

11. **Section 4.0, COUNTY’S RESPONSIBILITY**, subsection 4.2, is amended to read as follows:

4.2 COUNTY shall have the right to monitor, including but not limited to review and audit CONTRACTOR for compliance with this Agreement, Statement of Work, and all applicable laws and regulations pertaining to group homes.

12. **Section 7.0, PAYMENTS AND VOUCHERS**, subsections 7.3, 7.7, 7.8, 7.9 7.11, 7.12, 7.13, 7.14, and 7.15, are amended to read as follows:

7.3 Placements lasting less than a full month shall be prorated. Payment shall commence the Day the child is placed with CONTRACTOR and terminate the Day before the Placed Child is removed. When CONTRACTOR agrees to hold a bed open for a Placed Child, CONTRACTOR shall document COUNTY Worker’s agreement to pay for the open bed in the Placed Child’s record and shall request a written faxed confirmation from COUNTY Worker. DCFS will not pay for an open bed for a period in excess of seven (7) Days. Probation will not pay for an open bed for a period in excess of seven (7) Days.

Should CONTRACTOR, after having a Placed Child admitted to a psychiatric or medical hospital, unilaterally decide not to take the Placed Child back, all foster payments made to CONTRACTOR to keep the space available for that Placed Child shall be returned immediately to COUNTY by CONTRACTOR, unless otherwise agreed to by COUNTY and CONTRACTOR in writing.

7.7 In the event that COUNTY identifies an excess payment made to CONTRACTOR including but not limited to excess payments for clothing allowance, vouchers submitted after placement termination, and/or any other excess funds issued by COUNTY on behalf of Placed Children during the term or within five (5) years after expiration of this Agreement or Agreement extension, COUNTY will notify CONTRACTOR of such in writing. Upon receipt of such notice, CONTRACTOR and COUNTY shall attempt to resolve the discrepancy within thirty (30) Days. Within thirty (30) Days after the date of receipt of such notice, CONTRACTOR shall return the excess payment to COUNTY, execute an agreement to pay within another mutually agreed upon time frame, or register a notice of dispute with accompanying documentation to:

Division Chief, Revenue Enhancement
Department of Children and Family Services
800 S. Barranca, 4th Floor
Covina, CA 91723

In the event CONTRACTOR identifies an excess payment made by COUNTY, CONTRACTOR will notify COUNTY and, upon written confirmation by COUNTY of excess payment amount, CONTRACTOR will return all excess payments within thirty (30) Days to the address above (Exhibit T, Overpayments).

7.8 In the event CONTRACTOR does not return payment, or enter into an agreement for payment on a mutually agreed upon time-frame within thirty (30) Days of resolution of payment discrepancy or register a dispute within thirty (30) Days of overpayment notice, COUNTY may place CONTRACTOR on DNR Status pursuant to Section 16.0, Hold Status, Do Not Refer Status, Do Not Use Status, Corrective Action Plan. COUNTY shall provide written notice of its intention to place CONTRACTOR on a Do Not Refer Status at least 72 hours in advance. All correspondence regarding payment errors shall be sent by certified mail, and "date of receipt" for the purpose of this Section 7.0 is the date on which the correspondence is mailed or the postal receipt is signed by the recipient.

7.9 If CONTRACTOR registers a notice of dispute pursuant to Section 7.7, the Division Chief will evaluate the adequacy of the CONTRACTOR's written response. Within 25 calendar days of DCFS' receipt of CONTRACTOR's written response, DCFS will provide CONTRACTOR with DCFS' written response, which sets forth the required DCFS Corrective Action Plan. Should CONTRACTOR disagree with the contents of the CAP, CONTRACTOR shall submit a response to the DCFS CAP within 15 business days via first class mail to DCFS Fiscal Monitoring Section. DCFS will review the CONTRACTOR's response to the DCFS CAP and issue a final required DCFS Corrective Action Plan within 5 calendar days. Should CONTRACTOR not comply with the Corrective Action Plan, DCFS may, in its sole discretion, exercise any and all remedies, including but not limited to placement of CONTRACTOR on Do Not Refer or Do Not Use status.

7.11 Is deleted in its entirety and replaced with,

For overpayments, CONTRACTOR shall submit payment of any amounts due to COUNTY within thirty (30) Days after the Program Director's decision, unless CONTRACTOR appeals the decision pursuant to Section 7.0, in which case collection efforts shall be suspended until such time as there is final resolution of the appeal.

7.12 Is deleted in its entirety and replaced with,

With regard to overpayments, COUNTY shall be entitled to pre-judgment interest at the highest rate permitted by law. With regard to

underpayments, CONTRACTOR shall be entitled to pre-judgment interest at the highest rate permitted by law.

7.13 Is deleted in its entirety and replaced with,

Provided that COUNTY shall remove all Placed Children on or prior to the expiration or other termination of this Agreement, CONTRACTOR shall have no claim against COUNTY for payment of any money or reimbursement, of any kind whatsoever, after the expiration or other termination of this Agreement. Should CONTRACTOR receive any such payment it shall immediately notify COUNTY and shall immediately repay all such funds to COUNTY. Payment by COUNTY for Services rendered after expiration/termination of this Agreement shall not constitute a waiver of COUNTY's right to recover such payment from CONTRACTOR. This provision shall survive the expiration or other termination of this Agreement. Notwithstanding the foregoing, if COUNTY does not remove a Placed Child from a group home following termination of this Agreement, COUNTY will pay based upon the group home's RCL rate.

7.14 Is deleted in its entirety.

7.15 Is deleted in its entirety.

13. **Section 8.0, USE OF FUNDS**, subsections 8.2, 8.3, 8.5, and 8.6, are amended to read as follows:

8.2 CONTRACTOR shall use AFDC-FC funds paid to and Expended by CONTRACTOR only for the care and Services of Placed Children, in order to maintain the standards of care and Services consistent with the Statement of Work and the AFDC-FC payments received. By August 1 of each year, CONTRACTOR shall submit to COUNTY a cost allocation plan, which provides for the reasonable allocation of CONTRACTOR's Expenditures for the then current fiscal year. CONTRACTOR's cost allocation plan shall be developed in accordance with the principles included in OMB Circular A-122 (Exhibit C-1) and the Auditor-Controller Group Home Contract Accounting and Administration Handbook (Exhibit C-2).

8.3 CONTRACTOR shall Expend foster care funds on reasonable and allowable Expenditures in providing the necessary care and Services, as specified in this Agreement, for children placed by COUNTY. The determination of reasonable and allowable Expenditures shall be in accordance with OMB Circular A-122 (Exhibit C-1); Manual of Policy and Procedures Sections 11-400, 11-402, 11-403, 11-404, and 11-420; and 45 CFR 74.27, and the Auditor-Controller Group Home Contract Accounting and Administration Handbook (Exhibit C-2). Any AFDC-FC funds not Expended in accordance with the above will be disallowed on

monitoring/audit, and will require repayment by CONTRACTOR. Any dispute regarding repayment of funds is subject to the provisions outlined in Section 57.0, Dispute Resolution Procedure.

- 8.5 Notwithstanding any other provision of this Agreement, in addition to all other rights to monitor, including but not limited to audit, CONTRACTOR and COUNTY agree that it is the intent of the parties that COUNTY shall have the right to audit any and all use of AFDC-FC funds, paid to and Expended by CONTRACTOR, in order to ensure that all Expended and unspent funds are accounted for and that unspent funds are held for the future benefit of Placed Children, and to determine the appropriate disposition of unallowable Expenditures.
- 8.6 Total accumulated unexpended funds (TAUF) shall include (1) CONTRACTOR's un-Expended funds; and (2) CONTRACTOR's accumulated, unexpended AFDC-FC funds received from COUNTY between September 1, 2003 through the expiration date of the most recently completed contract term. If facts suggest the possibility of fraud or significant abuse, COUNTY reserves the right to review uses of unexpended funds accumulated in periods prior to September 1, 2003. CONTRACTOR's TAUF shall be reflected on its Semi-Annual Expenditure Report (Exhibit E).

At the end of any given CONTRACTOR fiscal year, any TAUF that is equal to or less than two months budgeted revenues for COUNTY's Group Home program for its next fiscal year may be retained by CONTRACTOR for future use for the benefit of Placed Children for reasonable and allowable costs. The maximum level of retainable TAUF will hereafter be referred to as the TAUF Ceiling. In the event that CONTRACTOR's TAUF, at the end of any given CONTRACTOR fiscal year, exceeds the TAUF Ceiling, CONTRACTOR shall develop a plan regarding how to utilize the TAUF for the benefit of Placed Children for reasonable and allowable costs, and shall submit the plan to Director's Deputy Director level designee for review and approval within 60 Days of the fiscal year end. Section 11-404.2 through 11-404.2.24 of the State Manual of Policy and Procedure provides examples of permissible uses of unexpended funds. Said Sections may provide a guideline for permissible uses of TAUF. However, all CONTRACTOR plans for uses of TAUF require pre-approval by the COUNTY.

If the plan is not approved, CONTRACTOR shall, in consultation with COUNTY, work to develop a revised plan for TAUF excess that is acceptable to COUNTY within 30 days of denial of proposed plan. DCFS shall respond in writing within 25 days of receipt of CONTRACTOR's revised plan. CONTRACTOR shall respond with any proposed amendments to revised plan within 15 business days of receipt of DCFS'

written response. DCFS will issue a final plan within 5 days of receipt of CONTRACTOR's amendments.

CONTRACTOR'S failure to develop an appropriate plan for the utilization of excess TAUF, or the Expenditure of excess TAUF without a COUNTY approved plan shall constitute a material breach of the Agreement. In such instance, COUNTY may take appropriate action, pursuant to this Agreement, including, but not limited to, that under Section 16.0, Hold Status, Do Not Refer Status, Do Not Use Status, Corrective Action Plan, with the understanding that CONTRACTOR may appeal the final decision pursuant to the Dispute Resolution Procedures in Section 57.0

14. **Section 9.0 FINANCIAL REPORTING**, subsection 9.5 is amended to read as follows:

- 9.5 The semi-annual expenditure report for group homes that serve DCFS children shall be mailed to:

DCFS
Accounting Division
Administrative Services Manager III
800 S. Barranca, 5th Floor
Covina, CA 91723

The semi-annual expenditure report for group homes that serve Probation Children shall be mailed to:

Probation Department
Central Placement Office
1605 Eastlake Avenue, Room 509B
Los Angeles, California 90033

15. **Section 11.0, RECORDS AND INVESTIGATIONS**, subsections 11.1, 11.5, 11.6, and 11.8, are amended to read as follows:

- 11.1 CONTRACTOR shall maintain and retain records on each Placed Child as required by California Code of Regulations, Title 22, Division 6, Chapter 1, Section 80070, and Chapter 5, Sections 84070 and 84070.1; and the relevant provisions in this Agreement, including this Section 11.0. Such records shall include, but not be limited to, placement and termination documents, medical and dental records, a record of court orders allowing psychotropic medication, Placed Children's financial records (clothing, allowances, earnings, medical expenses, etc.), diagnostic evaluations and studies, Placed Child interviews, special incident reports, social worker progress notes (including treatment, school, extracurricular activities at school or in the Community, etc.), and notes on Services provided by the

various professional and paraprofessional staff (treatment, recreation, child care, etc.). The records shall be in sufficient detail to permit an evaluation of Services provided. The information in the Placed Child's record, maintained at CONTRACTOR's offices, shall be confidential, kept in a locked file, and made available only to selected staff who require it for needs and Services planning.

- 11.5 COUNTY retains the right to inspect and conduct investigations of CONTRACTOR's program/fiscal operations and contract compliance without prior notice to CONTRACTOR seven days a week, 24 hours a day. Unannounced audits and investigations may occur without prior notice when COUNTY, in its sole discretion, deems it necessary. CONTRACTOR will be given reasonable prior notice of routine audits and inspections. CONTRACTOR agrees that COUNTY, or its authorized representatives, the State of California, or its authorized representatives, or the Federal Government, or its authorized representatives, including but not limited to, the U.S. Comptroller General, shall have access to and the right to inspect, examine, audit, excerpt, copy or transcribe any pertinent transaction, activity, or records relating to this Agreement. The Auditor-Controller/Department of Children and Family Services Fiscal Audit Phases, Fiscal Audits of Group Home Foster Care Services Contractors (Exhibit C-3), details the audit protocols followed by the A/C and DCFS during fiscal audit reviews.
- 11.6 Such program reviews, investigations, and/or audits shall encompass all of CONTRACTOR's financial, program, Subcontractor, and Placed Children's records related to Services provided under this Agreement, and any other financial transactions, as determined necessary by COUNTY to ensure that AFDC-FC funds have been accounted for and Expended in accordance with Section 8.0, Use of Funds. Methods of inspection may include, but are not limited to, the interview of CONTRACTOR's staff, insurance agents, banks, personnel, vendors and Subcontractor(s) and inspection of accounting ledgers, journals, canceled checks, timecards, personnel records, Subcontracts, space and equipment leases and other relevant books, records, worksheets and logs as appropriate for ensuring CONTRACTOR accountability of expenditures and program performance under this Agreement. CONTRACTOR's employee records may be reviewed in accordance with State and federal labor laws. CONTRACTOR shall enlist the cooperation of all Subcontractors, staff, and Board members in such efforts.
- 11.8 CONTRACTOR shall be responsible for annual or triennial financial audits, as applicable, of its agency and shall require Subcontractors to be responsible for its annual or triennial financial audits, as applicable, when required by any governmental entity (e.g. Federal government, California Department of Social Services (CDSS), COUNTY) to be conducted by an independent audit firm and in accordance with generally accepted

governmental auditing standards. Within thirty (30) days after issuance of the audit reports, CONTRACTOR shall forward copies of such reports to: DCFS, Bureau of Finance, Accounting Division at 800 South Barranca 5th Floor, Covina, CA 91723, Attention: Administrative Services Manager III, and to Probation at the Central Placement Office, 1605 Eastlake Avenue, Room 509B, Los Angeles, California 90033.

16. **Section 16.0, HOLD STATUS, DO NOT REFER STATUS, DO NOT USE STATUS, CORRECTIVE ACTION PLAN**, subsections 16.1, 16.2, 16.3, 16.4, 16.5, 16.6, and 16.7, are amended to read as follows:

16.0 HOLD STATUS, DO NOT REFER STATUS, DO NOT USE STATUS, CORRECTIVE ACTION PLAN

COUNTY may, during the normal course of its monitoring, place CONTRACTOR on Hold Status, Do Not Refer (DNR) Status and/or Do Not Use (DNU) Status, when the COUNTY reasonably believes, in its sole discretion, that the CONTRACTOR has engaged in conduct which may jeopardize a minor or minors; there has been a serious event that may implicate the CONTRACTOR, in issues of abuse or neglect; there is serious risk of abuse or neglect; or noncompliance with a significant administrative/fiscal/programmatic requirement of the Agreement. The local agency procedures referred to in 16.2, 16.3, and 16.4 are internal DCFS procedures and are entitled, respectively, Hold Status, Do Not Refer Status, and Do Not Use Status. DCFS may vary from the current protocol and procedures when such variance is required to protect the health and safety of Placed Children. A copy of the COUNTY's current policies and procedures is attached herein as Exhibit N.

16.1 Corrective Action Plan (CAP)

When DCFS reasonably determines in its sole discretion, that a CONTRACTOR's deficiencies are amenable to correction, DCFS may require CONTRACTOR to provide a Corrective Action Plan and DCFS and CONTRACTOR may enter into a Corrective Action Plan. A CAP shall serve as CONTRACTOR's commitment to remedy such deficiencies. The CAP procedures are further discussed in Exhibit N.

16.2 Hold Status

Notwithstanding any other provision of this Agreement, COUNTY retains the right to temporarily suspend referrals of children to CONTRACTOR by placing CONTRACTOR on Hold status, for up to a 45-day period at any time during investigations when based on prima facie evidence, DCFS reasonably believes, in its sole discretion, that the CONTRACTOR has engaged in conduct which may jeopardize a minor or minors; there has been a serious event that may implicate the CONTRACTOR, in issues of

abuse or neglect; there is serious risk of abuse or neglect; or noncompliance with a significant administrative/fiscal/programmatic requirement of this Agreement for which the CONTRACTOR failed to take corrective action (when appropriate) pursuant to Section 16.1, and as further described in Exhibit N.

16.3 Do Not Refer Status

Notwithstanding any other provision of this Agreement, COUNTY retains the right to suspend referrals of children to CONTRACTOR by placing CONTRACTOR on Do Not Refer Status (DNR Status), when COUNTY reasonably believes, in its sole discretion based upon prima facie evidence that the CONTRACTOR has engaged in conduct which may jeopardize a minor or minors; there has been a serious event that may implicate the CONTRACTOR, in issues of abuse or neglect; there is serious risk of abuse or neglect; or in issues of noncompliance with significant administrative/fiscal/programmatic requirement of this Agreement for which the CONTRACTOR failed to take corrective action (when appropriate) pursuant to Section 16.1, and as further described in Exhibit N.

When DNR Status is implemented, a CAP may be established, as provided in Exhibit N. DNR Status is removed if the CONTRACTOR conforms to the CAP in terms of content and timeframe, or as provided in Exhibit N.

16.4 Do Not Use Status

Notwithstanding any other provision of this Agreement, COUNTY retains the right to remove or cause to be removed any or all Placed Children from the CONTRACTOR's care by placing CONTRACTOR on Do Not Use Status (DNU Status), when COUNTY reasonably believes, in its sole discretion, based upon prima facie evidence that the CONTRACTOR has engaged in conduct which may jeopardize a minor or minors; there has been a serious event that may implicate the CONTRACTOR, in issues of abuse or neglect; there is serious risk of abuse or neglect; or in issues of noncompliance with significant administrative/fiscal/programmatic requirement of this Agreement for which the CONTRACTOR failed to take corrective action (when appropriate) pursuant to Section 16.1, and as further described in Exhibit N.

Under unique, warranted circumstances, a DNU Status may be rescinded, as provided in Exhibit N.

16.5 Notice Requirements

COUNTY will notify CONTRACTOR in writing within 72 hours of DCFS' decision to place CONTRACTOR on Hold or intention to implement Do Not Refer, or Do Not Use Status. Verbal notification of such actions will be provided prior to or at the time of CONTRACTOR's placement on Hold/DNR/DNU Status to the extent possible. To the extent possible and reasonable, and without interfering with any law enforcement investigation, and consistent with statutes and regulations related to confidentiality laws, notification will include the reason(s) for placing CONTRACTOR on Hold Status, or implementing Do Not Refer or Do Not Use Status.

When DNR or DNU Status is recommended, the written notification letter will also invite CONTRACTOR to participate in a Review Conference (as described in Exhibit N) to discuss the COUNTY's decision and include a deadline by which the CONTRACTOR must indicate its intent to participate in the Review Conference (please refer to Exhibit N).

16.6 Disagreement with Decision

CONTRACTOR may challenge the COUNTY action in accordance with DCFS local agency policies and procedures (please refer to Exhibit N) then in effect, and thereafter, CONTRACTOR may appeal through the dispute resolution procedures described in Section 57.0 herein.

16.7 Termination Status

Nothing herein shall preclude the COUNTY from terminating this Agreement for convenience or for default. Notwithstanding any other provision of this Agreement, in the event either COUNTY or CONTRACTOR terminates this Agreement for convenience or for default, COUNTY shall suspend referrals of children to CONTRACTOR and remove, or cause to be removed, all Placed Children from the CONTRACTOR's supervision. In such event, no DCFS local agency grievance policies and procedures will occur.

17. **Section 17.0, MUTUAL INDEMNIFICATION**, subsections 17.2, 17.3, and 17.6, are amended to read as follows:

17.2 CONTRACTOR shall indemnify, defend, and hold harmless COUNTY, its agents, officers and employees from any and all CONTRACTOR employee Worker's Compensation claims, suits, liability, or expense resulting from its performance of this Agreement and will bear the sole responsibility and liability for furnishing Worker's Compensation benefits in an amount and form to meet the State of California's statutory requirements, and in amounts as set forth in Section 19.3, to any and all

CONTRACTOR personnel for injuries arising from or connected with Services performed under this Agreement.

17.3 CONTRACTOR shall indemnify COUNTY, and hold it harmless from any and all loss, damage, costs, and expenses, including reasonable attorney's fees, suffered or incurred on account of any breach by CONTRACTOR of the obligations and covenants described in subsections 17.1 and 17.2.

17.6 COUNTY shall indemnify CONTRACTOR, and hold it harmless from any and all loss, damage, costs and expenses, including reasonable attorney's fees, suffered or incurred on account of any breach by COUNTY of the obligations and covenants described in subsections 17.4 and 17.5.

18. **Section 19.0, INSURANCE COVERAGE REQUIREMENTS**, subsection 19.1, is amended to read as follows:

19.1 General Liability insurance written on the commercial general liability ISO form CG 00 01 (occurrence) or its equivalent. Coverage written on the commercial general liability ISO form CG 00 02 (claims-made) shall be considered equivalent providing the CONTRACTOR commits to maintain such coverage for not less than two years, or provide a two year extended reporting period, commencing upon termination or cancellation of this agreement. In all cases, such general liability coverage shall include limits of not less than the following:

General Aggregate (if CONTRACTOR's facility has a total licensed capacity of seven or more beds):	\$2 million
General Aggregate (if CONTRACTOR's facility has a total licensed capacity of six or less beds):	\$1 million
Products/Completed Operations Aggregate:	\$1 million
Personal and Advertising Injury:	\$1 million
Each Occurrence:	\$1 million

Note: General Aggregate limits for Subcontractors shall be not less than \$1 million.

19. **Section 33.0, TERMINATION FOR CONTRACTOR'S DEFAULT**, subsections 33.2 and 33.3, are amended to read as follows:

33.2 In the event COUNTY terminates this Agreement in whole or in part as provided in this Section, COUNTY may recover damages to the extent permitted by applicable law, subject to the terms of the Dispute Resolution, Section 57.0.

After receipt of a notice of termination, CONTRACTOR shall submit to COUNTY in the form and with the certification as may be prescribed by

COUNTY, its termination claim and invoice. Such claim and invoice shall be submitted promptly. COUNTY will not accept any such invoice submitted later than three (3) months from the effective date of termination. Upon failure of CONTRACTOR to submit its termination claim and invoice within the time allowed, COUNTY may determine, on the basis of information available to COUNTY, the amount, if any, due to CONTRACTOR in respect to the termination, and such determination shall be final. After such determination is made, COUNTY shall pay CONTRACTOR the amount so determined as full and complete satisfaction of all amounts due CONTRACTOR under this Agreement for any terminated Services, provided that such amounts may be offset against any amounts COUNTY claims are due from CONTRACTOR pursuant to the terms of this Agreement.

- 33.3 CONTRACTOR shall not be liable, if its failure to perform this Agreement arises out of causes beyond the control and without the fault or negligence of CONTRACTOR. Such causes may include, but not be limited to: acts of God or of the public enemy, acts of Federal, State or County Governments in their sovereign capacities, fires, floods, epidemics, riots, earthquakes, quarantine restrictions, strikes, freights embargoes and unusually severe weather, but in every case, the failure to perform must be beyond the control and without the fault or negligence of CONTRACTOR.

20. **Section 36.0, TERMINATION OF AGREEMENT BY CONTRACTOR FOR CONVENIENCE**, subsection 36.1, is amended to read as follows:

- 36.1 This Agreement may be terminated when such action is deemed by CONTRACTOR to be in its best interest. Termination of this Agreement shall be effective by the delivery to COUNTY of written notice of termination pursuant to Section 20.0, Notices, specifying the date upon which such termination becomes effective. The date upon which such termination becomes effective shall be no less than ninety (90) Days after the notice is sent, unless COUNTY notices CONTRACTOR, pursuant to Section 20.0, Notices, that the termination will be effective in thirty (30) Days. In the event of a breach by COUNTY under this Agreement, CONTRACTOR shall have all remedies available at law, subject to the terms of Section 57.0.

CONTRACTOR shall submit to COUNTY in the form and with the certification as may be prescribed by COUNTY, its termination claim and invoice. Such claim and invoice shall be submitted promptly. COUNTY will not accept any such invoice submitted later than three (3) months from the effective date of termination. Upon failure of CONTRACTOR to submit its termination claim and invoice within the time allowed, COUNTY may determine, on the basis of information available to COUNTY, the amount, if any, due to CONTRACTOR in respect to the termination, and such

determination shall be final. After such determination is made, COUNTY shall pay CONTRACTOR the amount so determined as full and complete satisfaction of all amounts due CONTRACTOR under this Agreement for any terminated Services, provided that such amounts may be offset against any amounts COUNTY claims are due from CONTRACTOR pursuant to the terms of this Agreement.

21. **Section 37.0, CONTRACTOR RESPONSIBILITY AND DISBARMENT**, subsections 37.5 and 37.6, are amended to read as follows:

37.5 The Contractor Hearing Board will conduct a hearing where evidence on the proposed debarment is presented. CONTRACTOR and/or CONTRACTOR's representative shall be given an opportunity to submit evidence at that hearing. After the hearing, the Contractor Hearing Board shall prepare a tentative proposed decision, which shall contain a recommendation regarding whether CONTRACTOR should be debarred, and, if so, the appropriate length of time of the debarment. The CONTRACTOR and DCFS shall be provided an opportunity to object to the tentative proposed decision prior to its presentation to the Board of Supervisors. If CONTRACTOR fails to avail itself of the opportunity to submit evidence to the Contractor Hearing Board, CONTRACTOR may be deemed to have waived all rights of appeal.

37.6 After consideration of any objections, or if no objections are submitted, a record of the hearing, the proposed decision and any other recommendation of the Contractor Hearing Board shall be presented to the Board of Supervisors. The Board of Supervisors shall have the right to modify, deny or adopt the proposed decision and recommendation of the Contractor Hearing Board.

22. **Section 39.0, CONFLICT OF INTEREST**, subsection 39.1, is amended to read as follows:

39.1 Notwithstanding any other provision of this Agreement, no COUNTY employee whose position in COUNTY enables such employee to influence the award or administration of this Agreement or any competing Agreement, and no spouse or economic dependent of such employee, shall be employed in any capacity by CONTRACTOR herein, or have any other direct or indirect financial interest in this Agreement. No officer or employee of COUNTY who may financially benefit from the provision of Services hereunder shall in any way participate in COUNTY's approval, or ongoing evaluation of such Services, or in any way attempt to unlawfully influence COUNTY's approval or ongoing evaluation of such Services.

23. **Section 42.0, AGREEMENT ENFORCEMENT, OUT-OF-HOME CARE MANAGEMENT, MONITORING, AND REVIEW**, subsection 42.3, is amended to read as follows:

- 42.3 COUNTY or its agent will evaluate CONTRACTOR's performance under this Agreement on not less than an annual basis. Such evaluation will include assessing CONTRACTOR's compliance with all this Agreement's terms and performance standards. CONTRACTOR deficiencies which COUNTY determines are severe or continuing and that may place performance of this Agreement in jeopardy if not corrected may be reported to the Board of Supervisors. The report may include CONTRACTOR's response to these deficiencies and improvement/corrective action measures taken by COUNTY and CONTRACTOR. If improvement does not occur in a manner consistent with such corrective action measures, COUNTY may terminate this Agreement or take action consistent with Section 16.0.
24. **Section 45.0 CHILD SUPPORT COMPLIANCE PROGRAM**, subsections 45.3 and 45.4, are added to read as follows:
- 45.3 Failure of CONTRACTOR to maintain compliance with the requirements set forth in Section 45.2 shall constitute a default by CONTRACTOR under this agreement. Without limiting the rights and remedies available to COUNTY under any other provision of this Agreement, failure to cure such default within ninety (90) Days of notice shall be grounds upon which COUNTY Board of Supervisors may terminate this Agreement pursuant to Section 33.0, Termination for Default and pursue debarment of CONTRACTOR, pursuant to County Code Chapter 2.202.
- 45.4 CONTRACTOR acknowledges that COUNTY places a high priority on the enforcement of child support laws and the apprehension of child support evaders. CONTRACTOR understands that it is COUNTY's policy to encourage all COUNTY contractors to voluntarily post COUNTY's "L.A.'s Most Wanted: Delinquent Parents" poster in a prominent position at CONTRACTOR's place of business. COUNTY's Child Support Services Department will supply CONTRACTOR with the poster to be used.
25. **Section 53.0, FIXED ASSETS** is re-titled, and subsections 53.1, 53.2, 53.3, and 53.4, are amended to read as follows:
- 53.0 REAL PROPERTY, EQUIPMENT, FIXED ASSETS
- 53.1 CONTRACTOR shall fully comply with all applicable federal, State, and County laws, ordinances, and regulations in acquiring any and all real property, furniture, fixtures, equipment, materials, and supplies with funds obtained under this Agreement.
- 53.2 A Fixed Asset is defined as an article of nonexpendable tangible personal property having a useful life of more than two years and

an acquisition cost of \$5,000 or more of COUNTY funds per unit capitalized.

53.3 CONTRACTOR shall for any Real Property, land, or Fixed Asset costing \$35,000 or more of funds provided to CONTRACTOR through this Agreement, submit to COUNTY, at least 15 business days prior to any purchase (including Capital Leases as defined by Generally Accepted Accounting Principles (GAAP)), an analysis demonstrating that the purchase is less costly to CONTRACTOR than other leasing alternatives. CONTRACTOR shall also stipulate the source of all funds to be used for the purchase of the subject property. In the event that any funds to be used in the purchase will be from the current year Agreement or TAUF (as defined in Section 8.6), then CONTRACTOR shall obtain COUNTY's prior written approval for the purchase by notifying COUNTY by certified mail. COUNTY shall, within 15 working days of receipt of any such request for approval, provide a written response to CONTRACTOR by certified mail. If COUNTY's response is not received within 10 working days, CONTRACTOR will notify the Director's designee.

53.4 Upon obtaining COUNTY's prior written approval, the items referenced in Section 53.3 may be purchased and owned by CONTRACTOR as provided by law. If such prior written approval is not obtained by CONTRACTOR, no title to any of the items referenced in Section 53.3 will vest with CONTRACTOR. All Fixed Assets not requiring COUNTY's prior written approval, as described in Section 53.3, shall be deemed owned by CONTRACTOR.

26. **Section 62.0, INTERPRETATION OF AGREEMENT**, subsection 62.4 is amended to read as follows:

62.4 Caption Headings

This Agreement contains a Table of Contents with pagination. In addition, each paragraph and certain subparagraphs of this Agreement have been supplied with captions. Also, each page, including exhibits, contain page numbers. The Table of Contents with pagination, captions, paragraph numbers, section numbers and page numbers serve only as guides to the contents and do not control the meaning of any paragraph or subparagraph or in any way determine this Agreement's interpretation or meaning.

ALL OTHER TERMS AND CONDITIONS OF THE AGREEMENT REMAIN IN FULL FORCE AND EFFECT

**COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
AMENDMENT NUMBER ONE TO MASTER AGREEMENT FOR
GROUP HOME FOSTER CARE SERVICES**

IN WITNESS WHEREOF, the Board of Supervisors of the COUNTY of Los Angeles has caused this Master Agreement to be subscribed on its behalf by the Director of the Department and Children and Family Service and the Chief Probation Officer of the Probation Department and the CONTRACTOR has subscribed the same through its authorized officers, as of the day, month and year first above written. The persons signing on behalf of the CONTRACTOR warrant under penalty of perjury that they are authorized to bind the CONTRACTOR.

COUNTY OF LOS ANGELES

CONTRACTOR

Name of Agency

By: _____
David Sanders, Ph.D., Director
Department of Children and
Family Services

By: _____

Name: _____

Title _____

By: _____
Paul Higa,
Chief Probation Officer
Probation Department

By: _____

Name: _____

Title _____

Tax Identification Number

APPROVED ON BEHALF OF DCFS AS TO FORM:
BY THE OFFICE OF COUNTY COUNSEL
RAYMOND G. FORNTER, JR., County Counsel

By: _____
Deputy County Counsel

ATTACHMENT 4

EXHIBIT N

**DCFS GROUP HOME AGREEMENT
INVESTIGATION/MONITORING/AUDIT
REMEDIES AND PROCEDURES**

**DCFS GROUP HOME AGREEMENT
INVESTIGATION/MONITORING/AUDIT REMEDIES AND PROCEDURES
(As Amended on _____)**

These internal policies and procedures are attached to the Group Home Agreement to inform CONTRACTOR's of DCFS' investigation/audit remedies and procedures. These policies and procedures are subject to revision by DCFS, upon 30 days prior written notice to CONTRACTOR (which will not require a contract amendment), and DCFS may vary from these protocols and procedures when such variance is required to protect the health and safety of the children, except that all Do Not Refer and Do Not Use actions must be approved by DCFS' Director or his/her Deputy Director level designee. Such variance may not be arbitrary and capricious, unreasonable or discriminatory.

DCFS is responsible for monitoring and investigating, as a whole, all residential facilities licensed by Community Care Licensing (CCL) to provide out-of-home care when there are allegations of child abuse, neglect or exploitation. These facilities include foster family agencies, foster family homes, group homes and small family homes. During the normal course of its monitoring or as the result of an investigation, , DCFS may take action, when necessary, to protect DCFS-placed children in these facilities, including corrective action and/or "Do Not Refer/Use" status. Staff may recommend a corrective action plan, Hold, DNR, and/or DNU Status, regardless of whether law enforcement and/or CCL take similar action.

The Office of the Auditor-Controller is also responsible for audits of the contracts and administrative issues, including fiscal audit findings for all CONTRACTORs. Fiscal audit findings are not addressed in Exhibit N, except to the extent discussed below or specifically referenced in other parts of the Agreement. Nothing in this paragraph shall prevent the COUNTY from relying on the findings of the Auditor-Controller as a basis for imposing any of the Administrative Remedies provided below.

A. Administrative Remedies

DCFS may utilize one or more of the following actions in response to findings uncovered in the normal course of monitoring, as a result of investigations of abuse/neglect in out of home care, or in audits of program or fiscal contract requirements.

1. **Corrective Action Plan (CAP)** - When DCFS reasonably determines that a CONTRACTOR deficiency is correctable, a CAP shall serve as the CONTRACTOR's commitment to remedy such deficiency.
2. **Hold Status** - COUNTY retains the right to temporarily suspend referrals of children to CONTRACTOR by placing CONTRACTOR on Hold status, for up to a 45-day period at any time during investigations when based on prima facie evidence, DCFS reasonably believes, in its sole discretion, that the CONTRACTOR has engaged in

conduct which may jeopardize a minor or minors. Limited to an additional 45 days, a hold status may be extended for extenuating circumstances beyond the control of DCFS, with the understanding that the extension of Hold status on a Contractor will require the approval of the Director or his Deputy Director level designee. Hold Status may also be implemented when there has been a serious event that may implicate the CONTRACTOR, in issues of abuse or neglect; there is serious risk of abuse or neglect; or noncompliance with a significant administrative/fiscal/programmatic requirement of the GH Agreement for which the CONTRACTOR failed to take corrective action (when appropriate) pursuant to Section 16.0. A Hold request must be approved by a Division Chief.

3. **Do-Not-Refer (DNR) Status** - DNR refers to the suspension of new DCFS placements when COUNTY reasonably believes, in its sole discretion, based on prima facie evidence that the CONTRACTOR has engaged in conduct which may jeopardize a minor or minors; there has been a serious event that may implicate the CONTRACTOR in issues of abuse or neglect; there is serious risk of abuse or neglect; or in issues of noncompliance with significant administrative/fiscal/programmatic requirements of this Agreement for which the CONTRACTOR failed to take corrective action (when appropriate) pursuant to Section 16.1 of the Agreement, and as further described in Exhibit N.
4. **Do-Not-Use (DNU) Status** - DNU means that all Placed Children are removed from the CONTRACTOR's care within a specified period of time. No placement referrals may be made to the facility. Do-Not-Use Status is used when COUNTY reasonably believes, in its sole discretion, based upon prima facie evidence, that the CONTRACTOR has engaged in conduct which may jeopardize a minor or minors; there has been a serious event that may implicate the CONTRACTOR in issues of abuse or neglect; there is serious risk of abuse or neglect; or in issues of noncompliance with significant administrative/fiscal/programmatic requirements of this Agreement for which the CONTRACTOR failed to take corrective action (when appropriate) pursuant to Section 16.1 of the Agreement, and as further described in Exhibit N.
5. **Termination Hold** - In the event either COUNTY or CONTRACTOR terminates this Agreement for convenience or for default, COUNTY shall suspend referrals of children to CONTRACTOR and remove, or cause to be removed, all Placed Children prior to the effective date of termination. In such an event, the procedures described in this exhibit will not occur.

B. CAP Procedures

1. If DCFS requires/requests immediate action, oral notice is given and is followed up in writing within one business day. Corrective action must be taken within (3) calendar days from the date of verbal notification (which will be immediately followed with written notification) for the following child safety issues: a) lack of psychotropic medication authorizations; b) insufficient and/or inadequate clothing and essentials;

c) insufficient or poor food; and/or d) poor facility or environmental issues, such as sanitation or electrical problems and other situations which are hazardous.

2. Where immediate action is not required, CONTRACTOR shall submit CONTRACTOR'S proposed CAP to DCFS within 30 calendar days from receipt of written notification from DCFS (Vendor Notification Letter), the timeframe depending on the nature of the violation. The CONTRACTOR's CAP is reviewed and approved by DCFS within five business days, after which the CAP will be monitored for compliance.
3. The CAP must address each finding made in the Vendor Notification Letter. An appropriate CAP includes: the detailed action necessary to correct the deficiency; an explanation of how corrections will be implemented; an explanation of what actions will take place to ensure that the corrective action is maintained; and a thorough plan addressing prevention of subsequent violations and/or inappropriate action. Timeframes, as necessary, will be provided, as well as who is responsible for ensuring the action(s) is/are carried out. An addendum will be required if the CAP does not adequately address all issues.
4. Once approved, monitoring of the approved CAP begins. Monitoring will usually last three to six months depending on the nature of the violation. The act of monitoring may include, where necessary, unannounced visits to the home and/or agency to verify that the corrective action has been completed.
5. Once the corrective action has been completed and verified, the CONTRACTOR is notified in writing and the monitoring case is closed. A Do Not Refer or Do Not Use Status may be implemented, at the discretion of DCFS, if the requested corrective action is not completed within the agreed upon time.

C. Hold/DNR/DNU Procedures

1. A Vendor Notification Letter is sent, via fax and certified mail, within 72 hours of DCFS' decision to place CONTRACTOR on Hold, DNR or DNU Status, and verbal notification will be provided prior to or at the time of CONTRACTOR placement on Hold/DNR/DNU Status to the extent possible. To the extent possible and reasonable, and without interfering with any law enforcement investigation, and consistent with statutes and regulations related to confidentiality, notification will include the reason(s) for the Hold/DNR/DNU Status. The Vendor Notification Letter will also invite the CONTRACTOR to participate in a Review Conference and include a deadline for the CONTRACTOR's response (desire to participate) within 5 business days. Failure by the CONTRACTOR to respond by the deadline will result in default or waiver by the CONTRACTOR to proceed with the Review Conference.
2. During the Review Conference, the CONTRACTOR will meet with the Director's Deputy Director designee to discuss the investigative and/or administrative findings and to provide an opportunity for the CONTRACTOR to respond to the findings. The Review Conference will be held within 30 days of CONTRACTOR's receipt of faxed

Vendor Notification Letter of placement on Hold/DNR/DNU Status, unless CONTRACTOR waives the time limit. The Review Conference is provided to ensure that the CONTRACTOR is afforded a process for responding to allegations against them and for airing their grievances.

One week prior to the then scheduled Review Conference, the CONTRACTOR has the right to present written evidence in the form of relevant declarations, affidavits, and documents and a written statement intended to be presented during the Conference. The CONTRACTOR may also request that DCFS interview any witnesses identified by the CONTRACTOR who have not already been interviewed.

3. The Director's Deputy Director designee will conduct the Review Conference. DCFS and CONTRACTOR will both have the opportunity to present information related to the findings and each will be able to question the other with respect to each finding. Information provided by DCFS during the conference must be consistent with confidentiality laws. The CONTRACTOR may choose to seek authorization from the Juvenile Court to access additional documentation and information pertaining to the allegations, and to use such documentation and information during the Review Conference. [The authorization/approval must be in writing from the Court.] DCFS will consider any new information presented in the CONTRACTOR's written statement and information presented during the Conference.

Consistent with the informal and non-adversarial atmosphere of the review Conference, CONTRACTOR and COUNTY agree that only appropriate CONTRACTOR personnel and appropriate DCFS personnel shall participate in the Review Conference; and legal representatives shall not be present at the Review Conference.

4. The DCFS Director's designee will assess the information presented by the CONTRACTOR and make a final determination whether to withdraw the recommendation or to consult with others within DCFS with regard to the intended recommendation. This determination will be put in writing and provided to CONTRACTOR within 15 business days of the Conference.
5. Hold, DNR, or DNU Status may be lifted at any time that DCFS obtains information which leads DCFS to believe that: 1) the original basis for imposing such status is no longer applicable, or 2) Hold, DNR, or DNU status is no longer appropriate. In instances where Hold/DNR/DNU Status no longer applies, DCFS shall act as expeditiously as possible to remove CONTRACTOR from such status.

FOSTER FAMILY AGENCIES

1. A-W Friendship Homes, Inc.
2. Alpha Treatment Centers
3. America Care Foster Family Agency
4. Beta Foster Care
5. Bienvenidos Children's Center, Inc.
6. California Institute of Health and Social Services
7. Childhelp, Inc.
8. ChildNet Youth and Family Services, Inc.
9. Children's Bureau of Southern California
10. Children's Institute, Inc.
11. Concept 7, Inc.
12. Counseling and Research Associates
13. DGI Services, Inc.
14. David and Margaret Home, Inc.
15. Developmental Dynamics Family Services, Inc.
16. Drew Child Development Corporation, Inc.
17. Eggleston Youth Centers, Inc.
18. Ettie Lee Homes, Inc.
19. Excel Family Intervention Program
20. FamiliesFirst, Inc.
21. Families for Children Inc.
22. Families Uniting Families
23. Family Solutions. Inc.
24. Five Acres-The Boys' and Girls' Aid Society of Los Angeles County
25. Florence Crittenton Center
26. Florence Crittenton Services of Orange County, Inc.
27. Fred Jefferson Memorial Home for Boys
28. Free to Be Programs
29. Futuro Infantil Hispano F.F.A.
30. Gay and Lesbian Adolescent Social Services, Inc. (GLASS)
31. Guardians of Love
32. Hamburger Home
33. Hanna's House
34. Hathaway Children and Family Services
35. Holy Family Services Adoption and Foster Care
36. Inner Circle Foster Family Agency, Inc.
37. Institute for Black Parenting
38. Kinship Center
39. Koinonia Foster Homes, Inc.
40. Latino Family Institute, Inc.
41. Los Angeles Orphans Home Society

FOSTER FAMILY AGENCIES

42. Maryvale
43. McKinley Children's Center, Inc.
44. Moss Beach Homes, Inc.
45. Ninos Latinos Unidos
46. Nuevo Amanecer Latino Children's Services
47. Olive Crest Treatment Centers
48. Optimist Boy's Home and Ranch
49. Penny Lane Centers
50. Personal Involvement Center, Inc.
51. Psych Med, Inc.
52. Refugio Para Ninos Foster Family Agency
53. Rosemary Children's Services
54. Secure Transitions
55. Serenity Infant Care Homes, Inc.
56. South Bay Bright Future Youth Development
57. Southern California Foster Family Agency
58. Southern California Indian Center, Inc.
59. Teens Happy Homes, Inc.
60. The Dangerfield Institute of Urban Problems
61. The HELP Group Child and Family Center
62. The Multicultural Service Center
63. The Pasadena Children's Training Society
64. The Village Family Services
65. Trinity Children and Family Services
66. United Care, Inc.
67. Vista del Mar Child and Family Services
68. Walden Environment
69. West Covina Foster Family Agency
70. Westside Children's Center, Inc.
71. Wilene's ReGrowth Center
72. Wings of Refuge
73. Xavier Psychological Testing and Treatment Center, Inc.

GROUP HOMES

- 1 Abby's Adolescent Development
- 2 Acts For Children
- 3 Affirmative Action Development Center, Inc.
- 4 Allen's Teen Care, Inc.
- 5 Alpha Entrepreneur and Health Foundation, Inc.
- 6 Arrowhead Emancipation Program, Inc.
- 7 Ashe, Inc.
- 8 A-W Friendship Homes, Inc.
- 9 Aziza Group Home
- 10 B & I Group Home, Inc.
- 11 Basic Life Institute
- 12 Bienvenidos Children's Center, Inc.
- 13 Bourne, Inc.
- 14 Boys Republic
- 15 Canyon Acres Children & Family Services
- 16 Careprovider.org Foundation
- 17 Caring for Children and Families with AIDS
- 18 Casa Edith Foundation, Inc.
- 19 Catholic Charities of Los Angeles
- 20 Child Focus Group Home, Inc.
- 21 Childnet Youth and Family Services, Inc.
- 22 Children Are Our Future, Inc.
- 23 Children's Home of Southern California

GROUP HOMES

- 24 Children's Therapeutic
- 25 Childs' Homes for Children
- 26 Cicero's Hope Group Home, Inc.
- 27 Counseling and Research Association
- 28 Cunningham Group Home
- 29 Dangerfield Institute of Urban Problems
- 30 David & Margaret Home, Inc.
- 31 Deliann-Lucile Corporation
- 32 Devereux Foundation
- 33 DGI Services, Inc.
- 34 Diakota, Inc.
- 35 Downs and Martin Children Services
- 36 Dream Home Care, Inc.
- 37 Drice House Care Inc.
- 38 Dubnoff Center for Child Development and Educational Therapy
- 39 Eggleston Youth Center, Inc.
- 40 Ettie Lee Youth and Family Services
- 41 Family Solutions, Inc.
- 42 Ferree's Group Home, Inc.
- 43 Fields Comprehensive Youth Services
- 44 Five Acres-The Boys' and Girls' Aid Society of Los Angeles, The
- 45 Fleming & Barnes, Inc.
- 46 Florence Crittenton Center
- 47 Florence Crittenton Services of Orange County, Inc.

GROUP HOMES

48 Foundation For The Junior Blind

49 Frances Foundation, Inc.

50 Fred Jefferson Memorial Homes for Boys

51 Garces Residential Care Service, Inc.

52 Gay and Lesbian Adolescent Social Services, Inc. (G.L.A.S.S.)

53 Girls and Boys Town of Southern California

54 Greater Hope Society, Inc.

55 Greene Home For Boys, Inc.

56 Guilding Light Home for Boys

57 H. V. Group Home, Inc.

58 Hamburger Home, Inc.

59 Ha're John's Paradise, Inc.

60 Hart Community Home, Inc.

61 Hathaway Children & Family Services

62 Heritage Group Homes, Inc.

63 Hillside

64 Human Services Network

65 Humanistic Foundation, Inc.

66 Imperial Group Home, Inc.

67 Ingrid's Residential Care

68 J.E.E.B. Children's Foundation, Inc.

69 Jay Cee Dee Children's Home, Inc.

70 Jean Lores Group Home, Inc.

71 Journey House, Inc.

GROUP HOMES

72 Karis Home, Inc.

73 Kids First Foundation

74 Lachelle and Selena, Inc.

75 LeRoy Haynes Center for Children and Family Services, Inc.

76 Liddell Group Homes, Inc.

77 LIFECIRCLES Unlimited, Inc

78 Linden Center

79 Little People's World, Inc.

80 Living Advantage, Inc.

81 Los Angeles Orphans Home Society

82 Los Angeles Youth Network

83 Luvlee's Residential Care, Inc.

84 M & R Group Home, Inc.

85 Macro Homes, Inc.

86 Manna Manor, Inc.

87 Margie Staten TLC Home For Girls

88 Mary's Shelter

89 Maryvale

90 McKinley Children's Center, Inc.

91 Medina Home For Children, Inc.

92 Michelle-Travis, Inc.

93 Moore's Cottage

94 Mozell Pennington Boy's Center, Inc.

95 Murrell's Farm and Boys Home, Inc.

GROUP HOMES

96 New Outlook Boy's Home, Inc.

97 New World Independent Living Program, Inc.

98 Olive Crest Treatment Center, Inc.

99 Open Arms Men's Center, Inc.

100 Optimist Boys' Home and Ranch

101 Orange County Children's Foundation, Inc.

102 Orchard Home, Inc.

103 Pacific Lodge Youth Services, Inc.

104 Paragon Center, Inc.

105 Pasadena Children's Training Society

106 Pennacle Foundation, Inc.

107 Penny Lane Centers

108 Phoenix Houses of Los Angeles, Inc.

109 Phoenix Houses of Orange County, Inc.

110 Pioneer Boy's Ranch, Inc.

111 Positive Path

112 PsyMed, Inc.

113 RAC Youth Center, Inc.

114 Renaissance Unlimited Home, Inc.

115 Rites of Passage Residential Center, Inc.

116 Rolling Hills Group Home

117 Roseau Group, Inc.

118 Rosemary Children's Services

119 San Fernando Valley Community Mental Health Center, Inc. (CMHC)

GROUP HOMES

120 San Gabriel Children's Center

121 Sand Hill Group Home, Inc

122 Shamrock Cottage, Inc.

123 South Bay Bright Future, Inc.

124 St. Anne's Foundation

125 St. Paul's Group Home, Inc.

126 Starshine Treatment Center

127 Street Academy, Inc.

128 Summerplace

129 T & T Home for Boys, Inc.

130 Tana Group Home, Inc.

131 Tarzana Treatment Center, Inc.

132 Teen's Happy Homes, Inc.

133 The Community Youth Sport and Arts Foundation

134 The Help Group

135 The House of Bethesda Group Home, Inc.

136 The Perfect Image Youth Centers

137 The Rainbow Promise, Inc.

138 The Salvation Army

139 The Sherman Group Home, Inc.

140 Touch A Life Foundation

141 Trinity Children and Family Services

142 Turmont Home For Boys

143 United American Indian Involvement, Inc.

GROUP HOMES

144 United Care Inc.

145 Vista Del Mar Child and Family Services

146 Walden House, Inc.

147 Washington-Hancock Home for Girls, Inc.

148 West Covina Foster Family Agency

149 West Covina Group Corporation

150 Westside Group Home, Inc.

151 You are the Difference Foundation, Inc.

152 Youth Beacon, Inc.

EXHIBIT C-I

**AUDITOR-CONTROLLER
FOSTER FAMILY AGENCY CONTRACT ACCOUNTING AND
ADMINISTRATION HANDBOOK**

The following handbook is designed for inclusion in Department of Children and Family Services Foster Family Agency contracts. The purpose of the handbook is to establish accounting, internal control, financial reporting, and contract administration standards for Foster Family Agencies who contract with the COUNTY.

Revised: 9/6/05

AUDITOR-CONTROLLER

FOSTER FAMILY AGENCY CONTRACT ACCOUNTING AND ADMINISTRATION HANDBOOK

The purpose of this Handbook is to establish required accounting, financial reporting, and internal control standards for entities (CONTRACTOR) which contract with the Los Angeles County (COUNTY).

The accounting, financial reporting and internal control standards described in this Handbook are fundamental. These standards are not intended to be all inclusive or replace acceptable existing procedures or preclude the use of more sophisticated methods. Instead, this Handbook represents the minimum required procedures and controls that must be incorporated into a CONTRACTOR'S accounting and financial reporting systems. The internal control standards described are those that apply to organizations with adequate staffing. Organizations with a smaller staff must attempt to comply with the intent of the standards and implement internal control systems appropriate to the size of their staff/organization. The CONTRACTOR'S subcontractors must also follow these standards unless otherwise stated in the Agreement.

A. ACCOUNTING AND FINANCIAL REPORTING

1.0 Basis of Accounting

CONTRACTORS may elect to use either the cash basis or accrual basis method of accounting for recording financial transactions. Monthly invoices must be prepared on the same basis that is used for recording financial transactions.

1.1 The COUNTY recommends the use of the accrual basis for recording financial transactions.

Accrual Basis

Under the accrual basis, revenues are recorded in the accounting period in which they are earned (rather than when cash is received). Expenditures are recorded in the accounting period in which they are incurred (rather than when cash is disbursed).

Accruals

Accruals shall be recorded observing the following:

- ◆ Only accruals where cash will be disbursed within six months of the accrual date should be recorded.

- ◆ Recorded accruals must be reversed in the subsequent accounting period.

1.2 If an agent elects to use the cash basis for recording financial transactions during the year:

- ◆ **Necessary adjustments must be made to record the accruals at the beginning and the end of the contract.**
- ◆ **All computations, supporting records, and explanatory notes used in converting from cash basis to the accrual basis must be retained.**

1.3 Prepaid Expenses

Prepaid expenses (e.g., insurance, service agreements, lease agreements, etc.) should only be expensed during a given Agreement year to the extent goods and services are received during that Agreement year.

ACCOUNTING SYSTEM

- 2.0 Each agent shall maintain a double entry accounting system (utilizing debits and credits) with a General Journal, a Cash Receipts Journal, a General Ledger, and a Cash Disbursements Journal. The COUNTY recommends that a Payroll Register also be maintained. Postings to the General Ledger and Journals should be made on a monthly basis. The CONTRACTOR shall maintain a separate Cost Center(s), which clearly identifies AFDC-FC funds, received and expended for the care and services of placed children under this Agreement.

2.1 General Journal

A General Journal shall be maintained for recording adjusting entries, reversing entries, closing entries, and other financial transactions not normally recorded in the Cash Receipts Journal or Cash Disbursements Journal. Entries in the General Journal must be adequately documented, and entered in chronological order with sufficient explanatory notations.

Example:	DR	CR
Rent Expense	100	
Rent Payable		100

To record accrued rent to March 31, 20XX

2.2 Cash Receipts Journal

A Cash Receipts Journal shall be maintained for recording all cash receipts (e.g., COUNTY warrants, contributions, interest income, etc.). The Cash Receipts Journal shall contain (minimum requirements) the following column headings:

- date
- receipt number
- cash debit columns
- income credit columns for the following accounts:
 - COUNTY payments (one per funding source)
 - Contributions
 - Other Income (Grants, sales of supplies/services, rental income, miscellaneous revenue, fees, etc.)
- Description (Entries in the description column must specify the source of cash receipts.)

2.3 Cash Disbursements Journal

A Cash Disbursements Journal shall be maintained for recording all cash disbursements (e.g., rent, utilities, maintenance, etc.)

The Cash Disbursements Journal shall contain (minimum requirements) the following column headings:

- date
- check number
- cash (credit) column
- expense account name
- description

Note (1) Separate expense columns are recommended for salary expense and other recurring expense classifications for each program.

Note (2) Entries in the description column must specify the nature of the expense and the corresponding expense classification if not included in the column heading.

Note (3) Checks should not be written to employees (other than payroll, mileage, travel, and petty cash custodian checks.)

A Check Register may be substituted for the Cash Disbursements Journal, but this is not recommended. If used, the Check Register must contain the same expense classifications and description information required when a Cash Disbursements Journal is used.

Disbursements without supporting documentation will be disallowed on audit. Cancelled checks and credit card statements (VISA, AMEX, department store, etc.) will not constitute acceptable support. (See Section A.3.2 and B.2.4) for additional guidance.

2.4 General Ledger

A General Ledger shall be maintained with accounts for all assets, liabilities, fund balances, Expenditures, and revenues. Separate accounts must be maintained for each COUNTY program's expenses and revenues.

2.5 Chart of Accounts

A Chart of Accounts shall be maintained:

- The COUNTY recommends that agents use the expense account titles on the monthly invoice submitted to the COUNTY.
- If the CONTRACTOR uses account titles, which differ from the account titles on the monthly invoice, each account title must clearly identify the nature of the transaction(s) posted to the account.
- CONTRACTOR must consistently post transactions that are of a similar nature to the same account. For example, all expenses for travel shall be posted to the account titled "travel" or "travel expense" and not intermixed with other expense accounts.

2.6 Payroll Register

The COUNTY recommends that a Payroll Register be maintained for recording all payroll transactions. The Register should contain the following:

- Name
- Position
- Social Security Number
- Salary (hourly wage)
- Payment Record including:
 - accrual period
 - gross pay
 - itemized payroll deductions
 - net pay amount

- check number

If a Payroll Register is not used, the information in (2.6) must be recorded in the cash disbursements journal.

CONTRACTOR will ensure compliance with all applicable federal and State requirements for withholding payroll taxes (FIT, FICA, FUTA, SIT, SIU, etc.), reporting, filing (941, DE-7, W-2, W-4 and 1099s), and all applicable tax deposits.

CONTRACTOR will ensure compliance with Internal Revenue Service guidelines (IRS Publication 15A) in properly classifying employees and independent contractors.

2.7 CONTRACTOR Invoices

Each agent shall present an invoice to the COUNTY each calendar month to report the financial activity of the month. In addition, if advanced funding is involved, an invoice shall be presented at the beginning of the contract period. Invoices shall be prepared in the manner prescribed by the COUNTY'S contracting department.

3.0 Records

Adequate care shall be exercised to safeguard the accounting records and supporting documentation. Any destruction or theft of the CONTRACTOR'S accounting records or supporting documentation shall be immediately reported to the COUNTY.

3.1 Retention

All accounting records (e.g., journals, ledgers, etc.), financial records and supporting documentation (e.g., invoices, receipts, checks, etc.) must be retained for a minimum of five years after the termination of the CONTRACTOR'S Agreement.

3.2 Supporting Documentation

All revenues and Expenditures shall be supported by original vouchers, invoices, receipts, or other documentation and shall be maintained in the manner described herein.

Invoices, receipts, canceled checks and other documentation clearly establishing the nature of the Expenditure and its relevance to the COUNTY program being contracted for will be required to support an outlay of funds. (See Agreement, Section 8.3). Unsupported

disbursements will be disallowed on audit. CONTRACTOR will be required to repay COUNTY for all disallowed costs. **Photocopied invoices or receipts, any internally generated documents (i.e., vouchers, request for check forms, requisitions, canceled checks, etc.), and account statements do not constitute supporting documentation for purchases.**

Supporting documentation is required for various types of Expenditures. Documentation related to some of the most frequently encountered transactions consists of, but is not limited to the following:

Payroll – time and attendance records signed by the employee and approved in writing by the supervisor, time distribution records by program accounting for total work time on a daily basis for all employees, records showing actual Expenditures for Social Security and unemployment insurance, State and federal quarterly tax returns, federal W-2 forms, and federal W-4 forms. Personnel records shall also be maintained documenting employee pay rates. Furthermore, personnel records shall contain documentation confirming that educational and practical experience requirements of an employee's position have been met. Where licensure is a requirement of an employee's position, CONTRACTOR's personnel file shall contain documentation confirming the validity of the employee's license.

Consultant Services – contracts, time and attendance records, billing rates, travel vouchers detailing purpose, time and location of travel, purchase orders and invoices for supplies and invoices or other supporting documentation detailing the nature of services provided.

Travel – travel policies of the CONTRACTOR (written); travel expense vouchers showing location, date and time of travel, purpose of trip, and rates claimed; vehicle mileage logs showing dates, destination and headquarters, purpose of trip, and beginning and ending odometer readings and the resulting mileage. Vehicle mileage logs must clearly identify business versus non-business, or personal travel. Travel related to conferences should include conference literature such as agendas and handouts detailing purpose of the conference. Reimbursement rates for mileage shall not exceed applicable federal guidelines.

Reimbursement for actual receipts or per diem rates for meal expenses shall not exceed the maximum COUNTY'S reimbursement rate for employees.

Receipts shall be required for lodging for approved out-of-town travel dates. Maximum reimbursable lodging amount is the maximum

COUNTY'S reimbursement rate for employees for a single occupancy hotel accommodation.

Operating Expenses (e.g., utilities, office supplies, equipment rentals, etc.) – bona fide contracts or lease agreements, if any, and invoices and receipts detailing the cost and items purchased will constitute the primary supporting documentation. For internal control purposes, the CONTRACTOR may maintain vouchers, purchase orders, requisitions, stock received reports, bills of lading, etc.

Outside Meals - receipts and/or invoices for all meals, a record of the nature and purpose of each meal, and identification of the participants.

Loans from Employees – Loans to the CONTRACTOR by employees shall be supported by a written loan agreement and records documenting that the lent funds were deposited into a CONTRACTOR bank account. To the extent that the loan agreement provides for the payment of interest, the interest will not be an allowable expense under the Agreement.

3.3 Payments to Affiliated Organizations or Persons

CONTRACTOR shall not make payments to affiliated organizations or persons (i.e., related party transactions) for program expenses (e.g., salaries, services, rent, etc.) that exceed the lesser of actual cost or the reasonable cost for such expenses. A reasonable cost shall be the price that would be paid by one party to another when the parties are dealing at arm's length (fair market price).

Organizations or persons (related parties) related to the CONTRACTOR or its members by blood, marriage, or through legal organization (corporation, partnership, association, etc.) will be considered affiliated for purposes of this Agreement. COUNTY shall be solely responsible for the determination of affiliation unless otherwise allowed and approved by the State or federal agencies.

Payments to affiliated organizations or persons will be disallowed on audit to the extent the payments exceed the lower of actual costs or the reasonable costs for such items.

3.4 Filing

All relevant supporting documentation for reported program Expenditures and revenues shall be filed in a systematic and consistent manner. It is recommended that supporting documents be filed as follows:

- checks – numerically
- invoices – vendor name and date
- vouchers – numerically
- receipts – chronologically
- timecards – pay period and alphabetically

3.5 Referencing

Accounting transactions posted to the CONTRACTOR'S books shall be appropriately cross-referenced to supporting documentation. It is recommended that Expenditure transactions on the CONTRACTOR'S books be cross-referenced to the supporting documentation as follows:

- invoices – vendor name and date
- checks – number
- vouchers – number
- revenue – receipt number

Supporting documentation for non-payroll Expenditures (i.e., operating Expenditures) should be cross-referenced to the corresponding check issued for payment. If multiple invoices are paid with one check, all related invoices should be bound together and cross-referenced to the check issued for payment.

4.0 Donations and Other Sources of Revenue

Restricted donations and other sources of revenue earmarked specifically for the Contract must be utilized on allowable contract Expenditures. Likewise, income from investments, where the source of the amount invested is COUNTY program funds, shall be deemed restricted revenue that must be utilized on allowable Expenditures under the attached Agreement.

5.0 Audits

The agent will make available for inspection and audit to COUNTY representatives, upon request, during working hours, during the duration of the contract and for a period of five years thereafter, all of its books and records relating to the operation by it of each project or business activity which is funded in whole or part with governmental monies, whether or not such monies are received through the COUNTY. All such books and records shall be maintained at a location within Los Angeles County.

6.0 Single Audit Requirements

OMB Circular 133, "Audits of State, Local Governments and Non Profit Organizations" requires that certain organizations receiving federal awards, including pass-through awards, have annual audits. Details are contained in the respective Circular.

A copy of any Single Audit reports must be filed with the COUNTY within the timeframes prescribed by the applicable Circular.

7.0 Subcontracts

No CONTRACTOR shall subcontract services without the prior written consent of the COUNTY.

CONTRACTOR shall provide COUNTY with copies of all executed subcontracts and shall be responsible for the performance of their subcontractors.

B. INTERNAL CONTROLS

Internal controls safeguard the CONTRACTOR'S assets from misappropriations, misstatements or misuse. Each CONTRACTOR shall prepare necessary written procedures establishing internal controls for its personnel. The CONTRACTOR shall instruct all of its personnel in these procedures and continuously monitor operations to ensure compliance with them.

1.0 Cash Receipts

1.1. Separate Fund or Cost Center

All contract revenues shall be maintained in a bank account. If revenues from other sources are maintained in the same bank account, revenues for each source must be clearly identifiable on the accounting records through the use of cost centers or separate accounts.

1.2 Deposits

All checks shall be restrictively endorsed upon receipt.

Cash received shall be recorded on pre-numbered receipts. Checks shall be recorded on a check remittance log at the time of receipt.

Cash receipts (i.e., cash and checks) totaling \$500 or more shall be deposited within one day of receipt. Collections of less than \$500 may be

held and secured and deposited weekly or when the total reaches \$500, whichever occurs first.

Duplicate deposit slips shall be retained and filed chronologically, and shall contain sufficient reference information for comparison to the Cash Receipts Journal (and individual receipts, if applicable). A recommended practice would be to retain photocopies of the COUNTY warrants reflected on each deposit slip, or record the individual warrant numbers onto the deposit slip.

1.3 Separation of Duties

An employee who does not handle cash shall record all cash receipts.

1.4 Bank Reconciliations

Bank statements should be received and reconciled by someone with no cash handling, check writing, or bookkeeping functions.

Monthly bank reconciliations should be prepared within 30 days of the bank statement date and reviewed by management for appropriateness and accuracy. The bank reconciliations should be signed and dated by both the preparer and the reviewer. Reconciling items should be resolved timely.

2.0 Disbursements

2.1 General

All disbursements for Expenditures, other than petty cash, shall be made by check.

Blank check stock shall be secured and accounted for to preclude unauthorized use.

Checks shall not be payable to "cash" or signed in advance. Checks written to employees for reimbursement of out-of-pocket costs must be supported by receipts and invoices.

A second signature shall be required on all checks, unless otherwise specified in contract.

If the bookkeeper signs checks, a second signature shall be required on the checks, regardless of limits specified in contract.

Voided checks shall be marked void with the signature block cut out. The voided checks must be filed with the cancelled checks.

Unclaimed or undelivered checks shall be cancelled periodically.

All supporting documentation shall be referenced to check numbers and marked "paid" or otherwise canceled to prevent reuse or duplicate payments.

Disbursements without adequate supporting documentation will be disallowed on audit.

2.2. Approvals and Separation of Duties

Employees responsible for approving cash disbursements and/or signing of checks shall examine all supporting documentation at the time the checks are approved and signed.

All disbursements, excluding petty cash purchases, shall be approved by persons independent of check preparation and bookkeeping activities.

2.3 Petty Cash

A petty cash fund up to \$500 may be maintained for payment of small incidental expenses incurred by the CONTRACTOR (e.g., postage due, small purchases of office supply items, etc.). The CONTRACTOR must obtain written approval from the COUNTY to establish a petty cash fund greater than \$500.

Petty cash disbursements must be supported by invoices, store receipts or other external authenticating documents indicating the item purchased and the employee making the purchase. In the event that outside (external) supporting documentation is not obtainable for minor disbursements (under \$10), such as parking meters, etc., then documentation shall be considered as proper supporting documentation on a basis of reasonableness. Petty cash disbursements should not be used as a substitute for normal purchasing and disbursement practices i.e., payment by check).

The petty cash fund shall be maintained on an imprest basis. A check should be drawn to set up the fund and to make periodic reimbursements. Receipts, vouchers, etc., supporting each fund replenishment must be bound together, filed chronologically and cross referenced to the reimbursement check.

2.4 Credit Cards

The use of credit cards, both CONTRACTOR issued credit cards and an employee's personal credit cards used on behalf of the CONTRACTOR, should be limited to purchases where normal purchasing and disbursement practices are not suitable.

Credit cards issued in the CONTRACTOR'S name must be adequately protected and usage monitored to ensure that only authorized and necessary items are purchased.

Credit card purchases should be pre-approved by CONTRACTOR management to ensure that they are reasonable and necessary.

All credit card disbursements must be supported by original invoices, store receipts or other external authenticating documents indicating the item purchased and the employee making the purchase. Credit card statements are not sufficient support for credit card purchases.

3.0 Timekeeping

3.1 Timecards

Timecards or time reports must be prepared for each pay period. Timecards or time reports must indicate total hours worked each day by program and total hours charged to each of the CONTRACTOR'S programs. Time estimates do not qualify as support for payroll Expenditures and will be disallowed on audit.

All timecards and time reports must be signed in ink by the employee and the employee's supervisor to certify the accuracy of the reported time.

3.2 Personnel and Payroll Records

Adequate security must be maintained over personnel and payroll records with access restricted to authorized individuals.

Personnel and payroll records should include (but not be limited to) the following:

- Employee's authorized salary rate
- Employee information sheet
- Resume and/or application
- Proof of qualifications for the position, if required (e.g., notarized copy or original diploma, license, etc.)
- Performance evaluations
- Criminal record clearance

- Citizenship Status
- Benefit balances (e.g., sick time, vacation, etc.)

Benefit Balances

Employee benefit balances (e.g., sick time, vacation, personal time, etc.) should be maintained on at least a monthly basis. Benefit balances should be increased when benefit hours are earned and decreased as hours are used.

Limitations on Positions and Salaries

The CONTRACTOR shall pay no salaries higher than those authorized in the contract, or the attachments thereto, including this Auditor-Controller Foster Family Agency Contract Accounting and Administration Handbook (Exhibit C), except as proscribed by state or federal law.

For purposes of establishing a reasonable level of compensation for CONTRACTORS personnel, COUNTY may refer to the Child Welfare League of America (CWLA) Salary Study, or other regionally recognized salary studies for non-profit social service agencies. Salary studies which are both regionally and nationally recognized are preferred.

If an employee serves in the same or dual capacities under more than one Agreement or program, the employee may not charge more than 100% of their time to the contracts or programs taken as a whole.

Salaried employees who work less than full-time (i.e., 40 hours per week) shall be paid a salary that corresponds with the employee's work schedule.

The salary expense of salaried employees working on more than one Agreement or program shall be allocated to each program based on the ratio of the number of hours worked on each program during the pay period to the total number hours worked during the pay period.

The CONTRACTOR will make no retroactive salary adjustment for any employee without written approval from the COUNTY.

Separation of Duties

Payroll checks should be distributed by persons not involved in timekeeping, preparing of payroll, or reconciling bank accounts.

All employee hires and terminations, or pay rate changes, shall be approved by authorized persons independent of payroll functions.

All employee hires and terminations, or pay rate changes shall be approved in writing by authorized persons independent of payroll functions.

4.0 Fixed Assets

A fixed asset is defined as an article of nonexpendable tangible personal property having a useful life of more than two years. The COUNTY recommends all fixed assets with an acquisition cost of \$5,000 or more per unit be capitalized.

Acquisition cost means the net invoice unit price of an item, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it was acquired.

4.1 Acquisition

Fixed asset purchases shall be approved by the Agency's Board of Directors or their authorized representative.

4.2 Identification and Inventory

All fixed assets purchased with Contract funds are to be used solely for the benefit of the Contract and should be appropriately tagged.

Each CONTRACTOR shall maintain a current listing of fixed assets, including the item description, serial number, date of purchase, acquisition cost and sources of funding.

An inventory of all fixed assets should be conducted at least once each year to ensure that all fixed assets are accounted for and maintained in proper working order.

4.3 Security

Physical security should be adequately maintained over fixed assets to prevent misuse and theft of COUNTY property.

4.4 Property Management

The CONTRACTOR shall assume responsibility and accountability for the maintenance of all non-expandable property purchased, leased, or rented with Contract funds.

The CONTRACTOR shall report promptly, in writing, to the COUNTY all cases of theft, loss, damage, or destruction of fixed assets purchased with COUNTY funds. The report shall contain at a minimum, item identification, recorded value, facts relating to loss, and, where appropriate, a copy of the law enforcement report.

CONTRACTOR shall dispose of or return to the COUNTY all fixed assets, in accordance with their Contract.

5.0 Bonding – All officers, employees, and agents who handle cash or have access to the agent's funds shall be bonded.

6.0 Investments – COUNTY program funds may not be utilized on investments where there is a risk of loss.

C. COST PRINCIPLES

1.0 Policy

It is the intent of the COUNTY to provide funds for the purpose of CONTRACTOR providing services required by the Agreement. CONTRACTOR shall use these funds on actual expenses in an economical and efficient manner and ensure they are reasonable, proper and necessary costs of providing services and are allowable in accordance with the applicable OMB Circular.

1.1. Limitations on Expenditures of Program Funds

CONTRACTOR shall comply with the Agreement and OMB Circular A-122 "Cost Principles for Non-Profit Organizations". The Circular defines direct and indirect costs, discusses allowable cost allocation procedures and the development of Indirect Cost Rates, and specifically addresses the allowability of a variety of different costs.

If a CONTRACTOR is unsure of the allowability of any particular type of cost or individual cost, the CONTRACTOR should request advance written approval from the COUNTY prior to incurring the cost.

1.2 Expenses Incurred Outside the Agreement Period

Expenses charged against program funds may not be incurred prior to the effective date of the Agreement or subsequent to the Agreement termination date. Similarly, current period expenses related to events or activities that occurred prior to the effective date of the Agreement may not be allowable. For example, any legal costs incurred prosecuting or defending a lawsuit stemming from events which occurred during a period not covered by a valid Foster Family Agency Agreement between CONTRACTOR and COUNTY would not be allowable. Legal costs discussed in this paragraph shall not include those covered under OMB Circular A-122, Attachment B.

1.3 Budget Limitation

Total agency contract expenses may not exceed the maximum contract budget.

1.4 This Section Intentionally Left Blank

1.5 Necessary, Proper and Reasonable

Only those Expenditures that are necessary, proper and reasonable to carry out the purposes and activities of the Program are allowable.

2.0 Allocation of Cost Pools

For CONTRACTORS that provide services in addition to the services required under contract, the CONTRACTOR shall allocate Expenditures that benefit programs or funding sources on an equitable basis.

In accordance with the applicable OMB Circular, agencies shall define their allocable costs as either direct or indirect costs (as defined below) and allocate each cost using the basis most appropriate and feasible.

The CONTRACTOR shall maintain documentation related to the allocation of expenses (e.g., timecards, time summaries, square footage measurements, number of employees, etc.).

Under no circumstances shall allocated costs be charged to an extent greater than 100% of actual costs or the same cost be charged both directly and indirectly.

2.1 Direct Costs

Direct costs are those costs that can be identified specifically with a particular final cost objective (i.e., a particular program, service, or other direct activity of an organization). Examples of direct costs include salaries and benefits of employees working on the program, supplies and other items purchased specifically for the program, costs related to space used by employees working on the program, etc.

For all employees, other than general and administrative, the hours spent on each program (activity) should be recorded on employees' timecards and the payroll expense should be treated as direct charges and distributed on the basis of recorded hours spent on each program.

Joint costs (i.e., costs that benefit more than one program or activity) which can be distributed in reasonable proportion to the benefits received may also be direct costs.

Examples of bases for allocating joint costs as direct costs:

- Number of direct hours spent on each program
- Number of employees in each program
- Square footage occupied by each program
- Other equitable methods of allocation

2.2 Indirect Costs

Indirect costs are those costs that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. Examples of indirect costs include salaries, employee benefits, supplies, and other costs related to general administration of the organization, depreciation and use allowances, and the salaries and expenses of executive officers, personnel administration, and accounting.

Examples of bases for allocating indirect costs:

- Total direct salaries and wages
- Total direct costs (excluding capital Expenditures and other distorting items such as subcontractor payments)

2.3 Acceptable Indirect Cost Allocation Methods

OMB Circulars describe the following allowable methods for allocating indirect costs:

- Simplified allocation method
- Direct allocation method
- Multiple allocation base method

- Negotiated indirect cost rate

Simplified Allocation Method

This method can be used when an organization's major functions benefit from its indirect costs to approximately the same degree. Using this method, all allocable costs are considered indirect costs and an indirect cost rate is determined by dividing total allowable indirect costs by an equitable distribution base.

Example

Agency-wide indirect costs	\$250,000
Less: Capital Expenditures	<u>10,000</u>
Allocable indirect costs	240,000
Total agency-wide indirect salaries	\$1,000,000
Indirect cost rate (\$240,000/\$1,000,000)	24%
Program direct salaries	\$100,000
Program indirect costs (24% x \$100,000)	<u>\$24,000</u>

Direct Allocation Method

This method can also be used when an organization's major functions benefit from its indirect costs to approximately the same degree. Using this method, all costs except general administration and general expenses are treated as direct costs. Joint costs for depreciation, rental, facilities maintenance, telephone, and other similar expenses are prorated individually to each direct activity on a basis appropriate for that type of cost.

The remaining costs, which consist exclusively of general administration and general expenses are then allocated using the simplified allocation method previously discussed.

Multiple Base Allocation Method

This method can be used when an organization's major functions benefit from its indirect costs in varying degrees. Using this method, indirect costs are grouped to permit allocation of each grouping on the basis of the benefits provided to the major functions. Each grouping is then allocated individually using the basis most appropriate for the grouping being allocated.

2.4 Cost Allocation Plan

If the CONTRACTOR has a negotiated indirect cost rate approved by a federal agency, it shall submit a copy of the approval letter when requested by COUNTY.

If the CONTRACTOR does not have a negotiated indirect cost rate, CONTRACTOR shall submit an annual Agency-wide Cost Allocation Plan when requested by COUNTY. The Cost Allocation Plan shall be prepared in accordance with COUNTY instructions and the applicable OMB Circular and include the following information:

1. CONTRACTOR general accounting policies:
 - Basis of accounting (cash or accrual)
 - Fiscal year
 - Method for allocating indirect costs (simplified, direct, multiple, negotiated rate)
 - indirect cost rate allocation base
2. Identify the CONTRACTOR'S direct and indirect costs (by category) and describe the cost allocation methodology for each category.
3. Signature of CONTRACTOR management certifying the accuracy of the plan.

Negotiated Indirect Cost Rates

Agencies have the option of negotiating an indirect cost rate or rates for use on all their Federal programs. The CONTRACTOR must submit a cost allocation plan to the federal agency providing the most funds to the organization. The approved indirect cost rate is then applied to the total approved direct cost base.

If CONTRACTOR has a federally approved indirect cost rate, CONTRACTOR shall submit a copy of the approval letter to COUNTY upon request.

D. UNALLOWABLE COSTS

OMB Circulars address the allowability of a variety of different costs. For all costs, there are certain restrictions and limitations; however, the following costs are not allowable under any circumstances:

- Any Expenditures, or un-Expended funds, found to be unallowable by any federal or state agency authorized to review the Expenditures or un-Expended funds. To the extent that any federal or state agency seeks collection of unallowable Expenditures or un-Expended funds, COUNTY will not review and/or seek collection of those Expenditures or un-Expended funds.
 - Bad debts
 - Contingency provisions
 - Contributions and donations
 - Fines and penalties (e.g., NSF Check Fees, Traffic Citation Fees)
 - Fundraising activities
 - Interest expense (unless expressly allowed by Federal guidelines)
 - Losses on other awards
- Legal and professional expenses, which are incurred defending against COUNTY claims for repayment of questioned costs identified in Fiscal Audits, are allowable only as permitted by OMB Circular A-122.

E. OVERPAYMENTS

If upon audit, or at any time during the Agreement year, it is determined that invoices submitted to the COUNTY and used as a basis for payments to the CONTRACTOR were inaccurate, COUNTY shall determine the total overpayment and require the CONTRACTOR to repay COUNTY. The COUNTY may withhold payments from CONTRACTOR'S future payments for any amounts not returned to the COUNTY or credited to the Contract unless otherwise prohibited by State or federal regulations.

F. MISCELLANEOUS REQUIREMENTS

1.0 Insurance

CONTRACTOR is responsible for securing and maintaining insurance coverage as required by the Agreement. CONTRACTOR must notify COUNTY when insurance is revoked, reduced to a level or coverage less than required, or otherwise made ineffective.

Insurance shall include an endorsement naming the COUNTY as an additional insured.

2.0 Activity

No funds, materials, property, or services contributed to the COUNTY or the CONTRACTOR under this Agreement shall be used in the performance of any political activity, the election of any candidate, or the defeat of any candidate for public office.

EXHIBIT C-2

**AUDITOR-CONTROLLER
GROUP HOME CONTRACT ACCOUNTING AND ADMINISTRATION
HANDBOOK**

The following handbook is designed for inclusion in Department of Children and Family Services Group Home contracts. The purpose of the handbook is to establish accounting, internal control, financial reporting, and contract administration standards for Group Homes who contract with the COUNTY.

Revised :9/6/2005

AUDITOR-CONTROLLER GROUP HOME CONTRACT ACCOUNTING AND ADMINISTRATION HANDBOOK

The purpose of this Handbook is to establish required accounting, financial reporting, and internal control standards for entities (CONTRACTOR) which contract with the Los Angeles County (COUNTY).

The accounting, financial reporting and internal control standards described in this Handbook are fundamental. These standards are not intended to be all inclusive or replace acceptable existing procedures or preclude the use of more sophisticated methods. Instead, this Handbook represents the minimum required procedures and controls that must be incorporated into a CONTRACTOR'S accounting and financial reporting systems. The internal control standards described are those that apply to organizations with adequate staffing. Organizations with a smaller staff must attempt to comply with the intent of the standards and implement internal control systems appropriate to the size of their staff/organization. The CONTRACTOR'S subcontractors must also follow these standards unless otherwise stated in the Agreement.

A. ACCOUNTING AND FINANCIAL REPORTING

1.0 Basis of Accounting

CONTRACTORS may elect to use either the cash basis or accrual basis method of accounting for recording financial transactions. Monthly invoices must be prepared on the same basis that is used for recording financial transactions.

1.1 The COUNTY recommends the use of the accrual basis for recording financial transactions.

Accrual Basis

Under the accrual basis, revenues are recorded in the accounting period in which they are earned (rather than when cash is received). Expenditures are recorded in the accounting period in which they are incurred (rather than when cash is disbursed).

Accruals

Accruals shall be recorded observing the following:

- ◆ Only accruals where cash will be disbursed within six months of the accrual date should be recorded.

- ◆ Recorded accruals must be reversed in the subsequent accounting period.

1.2 If an agent elects to use the cash basis for recording financial transactions during the year:

- ◆ **Necessary adjustments must be made to record the accruals at the beginning and the end of the contract.**
- ◆ **All computations, supporting records, and explanatory notes used in converting from cash basis to the accrual basis must be retained.**

1.3 Prepaid Expenses

Prepaid expenses (e.g., insurance, service agreements, lease agreements, etc.) should only be expensed during a given Agreement year to the extent goods and services are received during that Agreement year.

ACCOUNTING SYSTEM

- 2.0** Each agent shall maintain a double entry accounting system (utilizing debits and credits) with a General Journal, a Cash Receipts Journal, a General Ledger, and a Cash Disbursements Journal. The COUNTY recommends that a Payroll Register also be maintained. Postings to the General Ledger and Journals should be made on a monthly basis. The CONTRACTOR shall maintain a separate Cost Center(s), which clearly identifies AFDC-FC funds, received and expended for the care and services of placed children under this Agreement.

2.1 General Journal

A General Journal shall be maintained for recording adjusting entries, reversing entries, closing entries, and other financial transactions not normally recorded in the Cash Receipts Journal or Cash Disbursements Journal. Entries in the General Journal must be adequately documented, and entered in chronological order with sufficient explanatory notations.

Example:	DR	CR
Rent Expense	100	
Rent Payable		100

To record accrued rent to March 31, 20XX

2.2 Cash Receipts Journal

A Cash Receipts Journal shall be maintained for recording all cash receipts (e.g., COUNTY warrants, contributions, interest income, etc.). The Cash Receipts Journal shall contain (minimum requirements) the following column headings:

- date
- receipt number
- cash debit columns
- income credit columns for the following accounts:
 - COUNTY payments (one per funding source)
 - Contributions
 - Other Income (Grants, sales of supplies/services, rental income, miscellaneous revenue, fees, etc.)
- Description (Entries in the description column must specify the source of cash receipts.)

2.3 Cash Disbursements Journal

A Cash Disbursements Journal shall be maintained for recording all cash disbursements (e.g., rent, utilities, maintenance, etc.)

The Cash Disbursements Journal shall contain (minimum requirements) the following column headings:

- date
- check number
- cash (credit) column
- expense account name
- description

Note (1) Separate expense columns are recommended for salary expense and other recurring expense classifications for each program.

Note (2) Entries in the description column must specify the nature of the expense and the corresponding expense classification if not included in the column heading.

Note (3) Checks should not be written to employees (other than payroll, mileage, travel, and petty cash custodian checks.)

A Check Register may be substituted for the Cash Disbursements Journal, but this is not recommended. If used, the Check Register must contain the same expense classifications and description information required when a Cash Disbursements Journal is used.

Disbursements without supporting documentation will be disallowed on audit. Cancelled checks and credit card statements (VISA, AMEX, department store, etc.) will not constitute acceptable support. (See Section A.3.2 and B.2.4) for additional guidance.

2.4 General Ledger

A General Ledger shall be maintained with accounts for all assets, liabilities, fund balances, Expenditures, and revenues. Separate accounts must be maintained for each COUNTY program's expenses and revenues.

2.5 Chart of Accounts

A Chart of Accounts shall be maintained:

- The COUNTY recommends that agents use the expense account titles on the monthly invoice submitted to the COUNTY.
- If the CONTRACTOR uses account titles, which differ from the account titles on the monthly invoice, each account title must clearly identify the nature of the transaction(s) posted to the account.
- CONTRACTOR must consistently post transactions that are of a similar nature to the same account. For example, all expenses for travel shall be posted to the account titled "travel" or "travel expense" and not intermixed with other expense accounts.
-

2.6 Payroll Register

The COUNTY recommends that a Payroll Register be maintained for recording all payroll transactions. The Register should contain the following:

- Name
- Position
- Social Security Number
- Salary (hourly wage)
- Payment Record including:
 - accrual period
 - gross pay
 - itemized payroll deductions
 - net pay amount
 - check number

If a Payroll Register is not used, the information in (2.6) must be recorded in the cash disbursements journal.

CONTRACTOR will ensure compliance with all applicable federal and State requirements for withholding payroll taxes (FIT, FICA, FUTA, SIT, SIU, etc.), reporting, filing (941, DE-7, W-2, W-4 and 1099s), and all applicable tax deposits.

CONTRACTOR will ensure compliance with Internal Revenue Service guidelines (IRS Publication 15A) in properly classifying employees and independent contractors.

2.7 CONTRACTOR Invoices

Each agent shall present an invoice to the COUNTY each calendar month to report the financial activity of the month. In addition, if advanced funding is involved, an invoice shall be presented at the beginning of the contract period. Invoices shall be prepared in the manner prescribed by the COUNTY'S contracting department.

3.0 Records

Adequate care shall be exercised to safeguard the accounting records and supporting documentation. Any destruction or theft of the CONTRACTOR'S accounting records or supporting documentation shall be immediately reported to the COUNTY.

3.1 Retention

All accounting records (e.g., journals, ledgers, etc.), financial records and supporting documentation (e.g., invoices, receipts, checks, etc.) must be retained for a minimum of five years after the termination of the CONTRACTOR'S Agreement.

3.2 Supporting Documentation

All revenues and Expenditures shall be supported by original vouchers, invoices, receipts, or other documentation and shall be maintained in the manner described herein.

Invoices, receipts, canceled checks and other documentation clearly establishing the nature of the Expenditure and its relevance to the COUNTY program being contracted for will be required to support an outlay of funds. (See Agreement, Section 8.3). Unsupported disbursements will be disallowed on audit. CONTRACTOR will be

required to repay COUNTY for all disallowed costs. **Photocopied invoices or receipts, any internally generated documents (i.e., vouchers, request for check forms, requisitions, canceled checks, etc.), and account statements do not constitute supporting documentation for purchases.**

Supporting documentation is required for various types of Expenditures. Documentation related to some of the most frequently encountered transactions consists of, but is not limited to the following:

Payroll – time and attendance records signed by the employee and approved in writing by the supervisor, time distribution records by program accounting for total work time on a daily basis for all employees, records showing actual Expenditures for Social Security and unemployment insurance, State and federal quarterly tax returns, federal W-2 forms, and federal W-4 forms. Personnel records shall also be maintained documenting employee pay rates. Furthermore, personnel records shall contain documentation confirming that educational and practical experience requirements of an employee's position have been met. Where licensure is a requirement of an employee's position, CONTRACTOR's personnel file shall contain documentation confirming the validity of the employee's license.

Consultant Services – contracts, time and attendance records, billing rates, travel vouchers detailing purpose, time and location of travel, purchase orders and invoices for supplies and invoices or other supporting documentation detailing the nature of services provided.

Travel – travel policies of the CONTRACTOR (written); travel expense vouchers showing location, date and time of travel, purpose of trip, and rates claimed; vehicle mileage logs showing dates, destination and headquarters, purpose of trip, and beginning and ending odometer readings and the resulting mileage. Vehicle mileage logs must clearly identify business versus non-business, or personal travel. Travel related to conferences should include conference literature such as agendas and handouts detailing purpose of the conference. Reimbursement rates for mileage shall not exceed applicable federal guidelines.

Reimbursement for actual receipts or per diem rates for meal expenses shall not exceed the maximum COUNTY'S reimbursement rate for employees.

Receipts shall be required for lodging for approved out-of-town travel dates. Maximum reimbursable lodging amount is the maximum COUNTY'S reimbursement rate for employees for a single occupancy hotel accommodation.

Operating Expenses (e.g., utilities, office supplies, equipment rentals, etc.) – bona fide contracts or lease agreements, if any, and invoices and receipts detailing the cost and items purchased will constitute the primary supporting documentation. For internal control purposes, the CONTRACTOR may maintain vouchers, purchase orders, requisitions, stock received reports, bills of lading, etc.

Outside Meals - receipts and/or invoices for all meals, a record of the nature and purpose of each meal, and identification of the participants.

Loans from Employees - Loans to the CONTRACTOR by employees shall be supported by a written loan agreement and records documenting that the lent funds were deposited into a CONTRACTOR bank account. To the extent that the loan agreement provides for the payment of interest, the interest will not be an allowable expense under the Agreement.

3.3 Payments to Affiliated Organizations or Persons

CONTRACTOR shall not make payments to affiliated organizations or persons (i.e., related party transactions) for program expenses (e.g., salaries, services, rent, etc.) that exceed the lesser of actual cost or the reasonable cost for such expenses. A reasonable cost shall be the price that would be paid by one party to another when the parties are dealing at arm's length (fair market price).

Organizations or persons (related parties) related to the CONTRACTOR or its members by blood, marriage, or through legal organization (corporation, partnership, association, etc.) will be considered affiliated for purposes of this Agreement. COUNTY shall be solely responsible for the determination of affiliation unless otherwise allowed and approved by the State or federal agencies.

Payments to affiliated organizations or persons will be disallowed on audit to the extent the payments exceed the lower of actual costs or the reasonable costs for such items.

3.4 Filing

All relevant supporting documentation for reported program Expenditures and revenues shall be filed in a systematic and consistent manner. It is recommended that supporting documents be filed as follows:

- checks – numerically
- invoices – vendor name and date
- vouchers – numerically

- receipts – chronologically
- timecards – pay period and alphabetically

3.5 Referencing

Accounting transactions posted to the CONTRACTOR'S books shall be appropriately cross-referenced to supporting documentation. It is recommended that Expenditure transactions on the CONTRACTOR'S books be cross-referenced to the supporting documentation as follows:

- invoices – vender name and date
- checks – number
- vouchers –number
- revenue – receipt number

Supporting documentation for non-payroll Expenditures (i.e., operating Expenditures) should be cross-referenced to the corresponding check issued for payment. If multiple invoices are paid with one check, all related invoices should be bound together and cross-referenced to the check issued for payment.

4.0 Donations and Other Sources of Revenue

Restricted donations and other sources of revenue earmarked specifically for the Contract must be utilized on allowable contract Expenditures. Likewise, income from investments, where the source of the amount invested is COUNTY program funds, shall be deemed restricted revenue that must be utilized on allowable Expenditures under the attached Agreement.

5.0 Audits

The agent will make available for inspection and audit to COUNTY representatives, upon request, during working hours, during the duration of the contract and for a period of five years thereafter, all of its books and records relating to the operation by it of each project or business activity which is funded in whole or part with governmental monies, whether or not such monies are received through the COUNTY. All such books and records shall be maintained at a location within Los Angeles County.

6.0 Single Audit Requirements

OMB Circular 133, "Audits of State, Local Governments and Non Profit Organizations" requires that certain organizations receiving federal awards, including pass-through awards, have annual audits. Details are contained in the respective Circular.

A copy of any Single Audit reports must be filed with the COUNTY within the timeframes prescribed by the applicable Circular.

7.0 Subcontracts

No CONTRACTOR shall subcontract services without the prior written consent of the COUNTY.

CONTRACTOR shall provide COUNTY with copies of all executed subcontracts and shall be responsible for the performance of their subcontractors.

B. INTERNAL CONTROLS

Internal controls safeguard the CONTRACTOR'S assets from misappropriations, misstatements or misuse. Each CONTRACTOR shall prepare necessary written procedures establishing internal controls for its personnel. The CONTRACTOR shall instruct all of its personnel in these procedures and continuously monitor operations to ensure compliance with them.

1.0 Cash Receipts

1.1. Separate Fund or Cost Center

All contract revenues shall be maintained in a bank account. If revenues from other sources are maintained in the same bank account, revenues for each source must be clearly identifiable on the accounting records through the use of cost centers or separate accounts.

1.2 Deposits

All checks shall be restrictively endorsed upon receipt.

Cash received shall be recorded on pre-numbered receipts. Checks shall be recorded on a check remittance log at the time of receipt.

Cash receipts (i.e., cash and checks) totaling \$500 or more shall be deposited within one day of receipt. Collections of less than \$500 may be held and secured and deposited weekly or when the total reaches \$500, whichever occurs first.

Duplicate deposit slips shall be retained and filed chronologically, and shall contain sufficient reference information for comparison to the Cash Receipts Journal (and individual receipts, if applicable). A recommended practice would be to retain photocopies of the COUNTY warrants reflected on each deposit slip, or record the individual warrant numbers onto the deposit slip.

1.3 Separation of Duties

An employee who does not handle cash shall record all cash receipts.

1.4 Bank Reconciliations

Bank statements should be received and reconciled by someone with no cash handling, check writing, or bookkeeping functions.

Monthly bank reconciliations should be prepared within 30 days of the bank statement date and reviewed by management for appropriateness and accuracy. The bank reconciliations should be signed and dated by both the preparer and the reviewer. Reconciling items should be resolved timely.

2.0 Disbursements

2.1 General

All disbursements for Expenditures, other than petty cash, shall be made by check.

Blank check stock shall be secured and accounted for to preclude unauthorized use.

Checks shall not be payable to "cash" or signed in advance. Checks written to employees for reimbursement of out-of-pocket costs must be supported by receipts and invoices.

A second signature shall be required on all checks, unless otherwise specified in contract.

If the bookkeeper signs checks, a second signature shall be required on the checks, regardless of limits specified in contract.

Voided checks shall be marked void with the signature block cut out. The voided checks must be filed with the cancelled checks.

Unclaimed or undelivered checks shall be cancelled periodically.

All supporting documentation shall be referenced to check numbers and marked "paid" or otherwise canceled to prevent reuse or duplicate payments.

Disbursements without adequate supporting documentation will be disallowed on audit.

2.2. Approvals and Separation of Duties

Employees responsible for approving cash disbursements and/or signing of checks shall examine all supporting documentation at the time the checks are approved and signed.

All disbursements, excluding petty cash purchases, shall be approved by persons independent of check preparation and bookkeeping activities.

2.3 Petty Cash

A petty cash fund up to \$500 may be maintained for payment of small incidental expenses incurred by the CONTRACTOR (e.g., postage due, small purchases of office supply items, etc.). The CONTRACTOR must obtain written approval from the COUNTY to establish a petty cash fund greater than \$500.

Petty cash disbursements must be supported by invoices, store receipts or other external authenticating documents indicating the item purchased and the employee making the purchase. In the event that outside (external) supporting documentation is not obtainable for minor disbursements (under \$10), such as parking meters, etc., then documentation shall be considered as proper supporting documentation on a basis of reasonableness. Petty cash disbursements should not be used as a substitute for normal purchasing and disbursement practices i.e., payment by check).

The petty cash fund shall be maintained on an imprest basis. A check should be drawn to set up the fund and to make periodic reimbursements. Receipts, vouchers, etc., supporting each fund replenishment must be bound together, filed chronologically and cross referenced to the reimbursement check.

2.4 Credit Cards

The use of credit cards, both CONTRACTOR issued credit cards and an employee's personal credit cards used on behalf of the CONTRACTOR, should be limited to purchases where normal purchasing and disbursement practices are not suitable.

Credit cards issued in the CONTRACTOR'S name must be adequately protected and usage monitored to ensure that only authorized and necessary items are purchased.

Credit card purchases should be pre-approved by CONTRACTOR management to ensure that they are reasonable and necessary.

All credit card disbursements must be supported by original invoices, store receipts or other external authenticating documents indicating the item purchased and the employee making the purchase. Credit card statements are not sufficient support for credit card purchases.

3.0 Timekeeping

3.1 Timecards

Timecards or time reports must be prepared for each pay period. Timecards or time reports must indicate total hours worked each day by program and total hours charged to each of the CONTRACTOR'S programs. Time estimates do not qualify as support for payroll Expenditures and will be disallowed on audit.

All timecards and time reports must be signed in ink by the employee and the employee's supervisor to certify the accuracy of the reported time.

3.2 Personnel and Payroll Records

Adequate security must be maintained over personnel and payroll records with access restricted to authorized individuals.

Personnel and payroll records should include (but not be limited to) the following:

- Employee's authorized salary rate
- Employee information sheet
- Resume and/or application
- Proof of qualifications for the position, if required (e.g., notarized copy or original diploma, license, etc.)
- Performance evaluations
- Criminal record clearance
- Citizenship Status

- Benefit balances (e.g., sick time, vacation, etc.)

Benefit Balances

Employee benefit balances (e.g., sick time, vacation, personal time, etc.) should be maintained on at least a monthly basis. Benefit balances should be increased when benefit hours are earned and decreased as hours are used.

Limitations on Positions and Salaries

The CONTRACTOR shall pay no salaries higher than those authorized in the contract, or the attachments thereto, including this Auditor-Controller Foster Family Agency Contract Accounting and Administration Handbook (Exhibit C), except as proscribed by state or federal law.

For purposes of establishing a reasonable level of compensation for CONTRACTORS personnel, COUNTY may refer to the Child Welfare League of America (CWLA) Salary Study, or other regionally recognized salary studies for non-profit social service agencies. Salary studies which are both regionally and nationally recognized are preferred.

If an employee serves in the same or dual capacities under more than one Agreement or program, the employee may not charge more than 100% of their time to the contracts or programs taken as a whole.

Salaried employees who work less than full-time (i.e., 40 hours per week) shall be paid a salary that corresponds with the employee's work schedule.

The salary expense of salaried employees working on more than one Agreement or program shall be allocated to each program based on the ratio of the number of hours worked on each program during the pay period to the total number hours worked during the pay period.

The CONTRACTOR will make no retroactive salary adjustment for any employee without written approval from the COUNTY.

Separation of Duties

Payroll checks should be distributed by persons not involved in timekeeping, preparing of payroll, or reconciling bank accounts.

All employee hires and terminations, or pay rate changes, shall be approved by authorized persons independent of payroll functions.

All employee hires and terminations, or pay rate changes shall be approved in writing by authorized persons independent of payroll functions.

4.0 Fixed Assets

A fixed asset is defined as an article of nonexpendable tangible personal property having a useful life of more than two years. The COUNTY recommends all fixed assets with an acquisition cost of \$5,000 or more per unit be capitalized.

Acquisition cost means the net invoice unit price of an item, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it was acquired.

4.1 Acquisition

Fixed asset purchases shall be approved by the Agency's Board of Directors or their authorized representative.

4.2 Identification and Inventory

All fixed assets purchased with Contract funds are to be used solely for the benefit of the Contract and should be appropriately tagged.

Each CONTRACTOR shall maintain a current listing of fixed assets, including the item description, serial number, date of purchase, acquisition cost and sources of funding.

An inventory of all fixed assets should be conducted at least once each year to ensure that all fixed assets are accounted for and maintained in proper working order.

4.3 Security

Physical security should be adequately maintained over fixed assets to prevent misuse and theft of COUNTY property.

4.4 Property Management

The CONTRACTOR shall assume responsibility and accountability for the maintenance of all non-expandable property purchased, leased, or rented with Contract funds.

The CONTRACTOR shall report promptly, in writing, to the COUNTY all cases of theft, loss, damage, or destruction of fixed assets purchased with COUNTY funds. The report shall contain at a minimum, item identification, recorded value, facts relating to loss, and, where appropriate, a copy of the law enforcement report.

CONTRACTOR shall dispose of or return to the COUNTY all fixed assets, in accordance with their Contract.

5.0 Bonding – All officers, employees, and agents who handle cash or have access to the agent's funds shall be bonded.

6.0 Investments – COUNTY program funds may not be utilized on investments where there is a risk of loss.

C. COST PRINCIPLES

1.0 Policy

It is the intent of the COUNTY to provide funds for the purpose of CONTRACTOR providing services required by the Agreement. CONTRACTOR shall use these funds on actual expenses in an economical and efficient manner and ensure they are reasonable, proper and necessary costs of providing services and are allowable in accordance with the applicable OMB Circular.

1.1. Limitations on Expenditures of Program Funds

CONTRACTOR shall comply with the Agreement and OMB Circular A-122 "Cost Principles for Non-Profit Organizations". The Circular defines direct and indirect costs, discusses allowable cost allocation procedures and the development of Indirect Cost Rates, and specifically addresses the allowability of a variety of different costs.

If a CONTRACTOR is unsure of the allowability of any particular type of cost or individual cost, the CONTRACTOR should request advance written approval from the COUNTY prior to incurring the cost.

1.2 Expenses Incurred Outside the Agreement Period

Expenses charged against program funds may not be incurred prior to the effective date of the Agreement or subsequent to the Agreement termination date. Similarly, current period expenses related to events or activities that occurred prior to the effective date of the Agreement may not be allowable. For example, any legal costs incurred prosecuting or defending a lawsuit stemming from events which occurred during a period not covered by a valid Foster Family Agency Agreement between CONTRACTOR and COUNTY would not be allowable. Legal costs discussed in this paragraph shall not include those covered under OMB Circular A-122, Attachment B.

1.3 Budget Limitation

Total agency contract expenses may not exceed the maximum contract budget.

1.4 This Section Intentionally Left Blank

1.5 Necessary, Proper and Reasonable

Only those Expenditures that are necessary, proper and reasonable to carry out the purposes and activities of the Program are allowable.

2.0 Allocation of Cost Pools

For CONTRACTORS that provide services in addition to the services required under contract, the CONTRACTOR shall allocate Expenditures that benefit programs or funding sources on an equitable basis.

In accordance with the applicable OMB Circular, agencies shall define their allocable costs as either direct or indirect costs (as defined below) and allocate each cost using the basis most appropriate and feasible.

The CONTRACTOR shall maintain documentation related to the allocation of expenses (e.g., timecards, time summaries, square footage measurements, number of employees, etc.).

Under no circumstances shall allocated costs be charged to an extent greater than 100% of actual costs or the same cost be charged both directly and indirectly.

2.1 Direct Costs

Direct costs are those costs that can be identified specifically with a particular final cost objective (i.e., a particular program, service, or other direct activity of an organization). Examples of direct costs include

salaries and benefits of employees working on the program, supplies and other items purchased specifically for the program, costs related to space used by employees working on the program, etc.

For all employees, other than general and administrative, the hours spent on each program (activity) should be recorded on employees' timecards and the payroll expense should be treated as direct charges and distributed on the basis of recorded hours spent on each program.

Joint costs (i.e., costs that benefit more than one program or activity), which can be distributed in reasonable proportion to the benefits received, may also be direct costs.

Examples of bases for allocating joint costs as direct costs:

- Number of direct hours spent on each program
- Number of employees in each program
- Square footage occupied by each program
- Other equitable methods of allocation

2.2 Indirect Costs

Indirect costs are those costs that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. Examples of indirect costs include salaries, employee benefits, supplies, and other costs related to general administration of the organization, depreciation and use allowances, and the salaries and expenses of executive officers, personnel administration, and accounting.

Examples of bases for allocating indirect costs:

- Total direct salaries and wages
- Total direct costs (excluding capital Expenditures and other distorting items such as subcontractor payments)

2.3 Acceptable Indirect Cost Allocation Methods

OMB Circulars describe the following allowable methods for allocating indirect costs:

- Simplified allocation method
- Direct allocation method
- Multiple allocation base method
- Negotiated indirect cost rate

Simplified Allocation Method

This method can be used when an organization's major functions benefit from its indirect costs to approximately the same degree. Using this method, all allocable costs are considered indirect costs and an indirect cost rate is determined by dividing total allowable indirect costs by an equitable distribution base.

Example

Agency-wide indirect costs	\$250,000
Less: Capital Expenditures	<u>10,000</u>
Allocable indirect costs	240,000
Total agency-wide indirect salaries	\$1,000,000
Indirect cost rate (\$240,000/\$1,000,000)	24%
Program direct salaries	\$100,000
Program indirect costs (24% x \$100,000)	<u>\$24,000</u>

Direct Allocation Method

This method can also be used when an organization's major functions benefit from its indirect costs to approximately the same degree. Using this method, all costs except general administration and general expenses are treated as direct costs. Joint costs for depreciation, rental, facilities maintenance, telephone, and other similar expenses are prorated individually to each direct activity on a basis appropriate for that type of cost.

The remaining costs, which consist exclusively of general administration and general expenses are then allocated using the simplified allocation method previously discussed.

Multiple Base Allocation Method

This method can be used when an organization's major functions benefit from its indirect costs in varying degrees. Using this method, indirect costs are grouped to permit allocation of each grouping on the basis of the benefits provided to the major functions. Each grouping is then allocated individually using the basis most appropriate for the grouping being allocated.

2.4 Cost Allocation Plan

If the CONTRACTOR has a negotiated indirect cost rate approved by a federal agency, it shall submit a copy of the approval letter when requested by COUNTY.

If the CONTRACTOR does not have a negotiated indirect cost rate, CONTRACTOR shall submit an annual Agency-wide Cost Allocation Plan when requested by COUNTY. The Cost Allocation Plan shall be prepared in accordance with COUNTY instructions and the applicable OMB Circular and include the following information:

1. CONTRACTOR general accounting policies:
 - Basis of accounting (cash or accrual)
 - Fiscal year
 - Method for allocating indirect costs (simplified, direct, multiple, negotiated rate)
 - indirect cost rate allocation base
2. Identify the CONTRACTOR'S direct and indirect costs (by category) and describe the cost allocation methodology for each category.
3. Signature of CONTRACTOR management certifying the accuracy of the plan.

Negotiated Indirect Cost Rates

Agencies have the option of negotiating an indirect cost rate or rates for use on all their Federal programs. The CONTRACTOR must submit a cost allocation plan to the federal agency providing the most funds to the organization. The approved indirect cost rate is then applied to the total approved direct cost base.

If CONTRACTOR has a federally approved indirect cost rate, CONTRACTOR shall submit a copy of the approval letter to COUNTY upon request.

D. UNALLOWABLE COSTS

OMB Circulars address the allowability of a variety of different costs. For all costs, there are certain restrictions and limitations; however, the following costs are not allowable under any circumstances:

- Any Expenditures, or un-Expended funds, found to be unallowable by any federal or state agency authorized to review the Expenditures or un-Expended funds. To the extent that any federal or state agency seeks

collection of unallowable Expenditures or un-Expended funds, COUNTY will not review and/or seek collection of those Expenditures or un-Expended funds.

- Bad debts
 - Contingency provisions
 - Contributions and donations
 - Fines and penalties (e.g., NSF Check Fees, Traffic Citation Fees)
 - Fundraising activities
 - Interest expense (unless expressly allowed by Federal guidelines)
 - Losses on other awards
- Legal and professional expenses, which are incurred defending against COUNTY claims for repayment of questioned costs identified in Fiscal Audits, are allowable only as permitted by OMB Circular A-122.

E. OVERPAYMENTS

If upon audit, or at any time during the Agreement year, it is determined that invoices submitted to the COUNTY and used as a basis for payments to the CONTRACTOR were inaccurate, COUNTY shall determine the total overpayment and require the CONTRACTOR to repay COUNTY. The COUNTY may withhold payments from CONTRACTOR'S future payments for any amounts not returned to the COUNTY or credited to the Contract unless otherwise prohibited by State or federal regulations.

F. MISCELLANEOUS REQUIREMENTS

1.0 Insurance

CONTRACTOR is responsible for securing and maintaining insurance coverage as required by the Agreement. CONTRACTOR must notify COUNTY when insurance is revoked, reduced to a level or coverage less than required, or otherwise made ineffective.

Insurance shall include an endorsement naming the COUNTY as an additional insured.

2.0 Activity

No funds, materials, property, or services contributed to the COUNTY or the CONTRACTOR under this Agreement shall be used in the performance of any political activity, the election of any candidate, or the defeat of any candidate for public office.

ATTACHMENT g

EXHIBIT E

SEMI-ANNUAL EXPENDITURE REPORT

Foster Family Agency Semi-Annual Expenditure Report

(For Los Angeles County DCFS)

Agency:
 Address:
 Contract Person:
 Phone #:
 Contract Number:

Report Period:
 Number of L.A. County Children:
 Number of Foster Homes Operated:
 Number of L.A. County Child Care Days in Period:

REVENUE AND EXPENDITURE SUMMARY		
	Total for 6 Months	Year-To-Date
A. <u>Total AFDC-FC Revenues</u> (L.A. Co. Children Only)	\$	\$
B. <u>Allowable Contract Expenditures</u> (Allowable Expenditures for the care and services of placed Los Angeles County children allocated in accordance with requirements contained in Section 8.2 and 8.3 of the Agreement. Expenditures should be reported within the 34 cost categories listed below. Except for the requirements of allocation of costs which is described in Section 8.2 and 8.3, Contractor shall use the Instructions in Exhibit E to complete this report.)		
1. Administrative Payroll (Total)		
a. Executive Director's Salary		
b. Assistant Director's Salary		
c. Administrator Salary		
d. Other Administrative Salaries		
2. Recruitment Payroll		
3. Training Payroll		
4. Administrative Contracts		
5. Telephone and Telegraph		
6. Postage and Freight		
7. Office Supplies		
8. Conferences, Meetings, In-Service Training		
9. Memberships, Subscriptions and Dues		
10. Printing and Publications		
11. Bonding, Contractually Required Insurance Premiums		
12. Advertising		
13. Miscellaneous		
14. Building and Equipment Payroll		
15. Building Rents and Leases		
16. Principal and Interest on Agency Mortgages		
17. Property Appraisal Fees		
18. Property Taxes		
19. Equipment and Property Insurance (not included in 10 above)		
20. Utilities		
21. Building Maintenance		
22. Building and Equipment Contracts		
23. Building and Equipment Supplies		

24. Equipment Leases		
25. Depreciation Expense		
26. Non-Depreciable Equipment		
27. Building and Equipment Miscellaneous		
28. Vehicle Leases		
29. Vehicle Depreciation		
30. Vehicle Operating Costs		
31. Total Paid to Certified Family Homes (CFH)		
32. Other Child Related Costs (Not Provided by CFHs)		
33. Social Worker Payroll		
34. Social Worker Contracts		
35. Total Allowable Contract Expenditures	\$	\$
C. <u>Total Un-Expended AFDC-FC Funds from Current Agreement</u> (Total AFDC-FC Revenues received from COUNTY (Section A) less Total Allowable Contract Expenditures (Section B, Line 35)) [See Agreement, Section 8.6]	\$	\$
D. <u>Total Un-Expended AFDC-FC Funds Received from COUNTY from September 1, 2003 through the expiration date of the most recently completed contract term.</u>		\$
E. <u>Total Accumulated Un-Expended AFDC-FC Funds</u> (Add Un-Expended funds from current Agreement and Un-Expended funds from previous COUNTY FFA contracts)		\$

I hereby certify to the best of my knowledge, under penalty of perjury, that the above report is true and correct, that the amounts reported are traceable to Agency accounting records, and that all AFDC-FC monies received for the purposes of this program were spent in accordance with the contract program requirements, the agreement and all applicable Federal, State and County laws and regulations. Falsification of any amount disclosed herein shall constitute a false claim pursuant to California Government Code Section 12650 et seq.

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Executive Director's Signature

Date

Department of Children and Family Services
Foster Family Agency Agreement
Semi-Annual Expenditure Report

INSTRUCTIONS FOR COMPLETING SEMI-ANNUAL EXPENDITURE REPORT

The following are the instructions for completing the Department of Children and Family Services (DCFS) Semi-Annual Expenditure Report.

Instructions:

Provide identifying information by entering the agency's name, address, contact person's name and phone number, and reporting period.

For the Revenue and Expenditure Summary, revenues and expenditures should be reported based on actual revenue received and actual costs incurred during the reporting period. Year-to-date expenditures should reflect the reporting period of July 1 to June 30. The following is an explanation for completing each revenue and expenditure line item.

A. Revenues

AFDC-FC-FFA Revenues:

Report the total of all AFDC-FC-FFA payments received for children placed by Los Angeles County. Do not include monies received for child clothing or any other non-AFDC-FC funds received.

B. Expenditures

For each line item cost, enter total program expenditures that were incurred during the reporting 6-month period and cumulative year-to-date related to the care and services of placed Los Angeles County children, allocated in accordance with requirements contained in Sections 8.2 and 8.3 of the Agreement. If a cost item is shared among two or more programs, enter only the amount charged to the Los Angeles County FFA program.

1. **Administration Payroll:**

Report all payroll costs for executive and administrative staff. Include all payroll, payroll taxes and employee benefits as applicable.

2. **Recruitment Payroll:**

Report all payroll costs for recruitment staff.

3. **Training Payroll:**

Report all payroll costs for training staff.

4. **Administrative Contracts:**

Legal, consulting or other contract fees related to the program.

5. **Telephone and Telegraph:**
Report all costs related to telephone and telegraph.
6. **Postage and Freight:**
Report all costs related to postage, mailings, and shipping.
7. **Office Supplies:**
Report all costs incurred for office supplies.
8. **Conferences, Meetings, In-Service Training:**
Report all costs, including travel and per-diem, related to conferences meetings, and training.
9. **Memberships, Subscriptions and Dues:**
Report all costs incurred for memberships, subscriptions, and dues.
10. **Printing and Publications:**
Report all costs incurred for printing and publications.
11. **Bonding, General Insurance:**
Report all costs incurred for bonding and general liability insurance.
12. **Advertising:**
Report all costs incurred for advertising.
13. **Miscellaneous:**
Report all other costs that are not included in any other specifically identified line items.
14. **Building and Equipment Payroll:**
Report all program building and equipment payroll costs. Include all payroll, payroll taxes and employee benefits as applicable.
15. **Building Rents and Leases:**
Report all costs incurred for rents or leases of buildings.
16. **Acquisition Mortgage Principal and Interest:**
Report all costs related to acquisition mortgage principal and interest.
17. **Property Appraisal Fees:**
Report all costs incurred for property appraisal fees.
18. **Property Taxes:**
Report all costs incurred for payment of property taxes.
19. **Building and Equipment Insurance:**
Report all costs incurred for building and equipment property insurance.
20. **Utilities:**
Report all costs incurred for electricity, gas, water, sewer, and garbage.
21. **Building Maintenance:**
Report all building maintenance costs related to the program.

22. Building and Equipment Contracts:

Report building equipment payroll, payroll taxes and employee benefits and any other cost of building and equipment contracts.

23. Building and Equipment Supplies:

Report all building and equipment supply costs.

24. Equipment Leases:

Report all costs incurred for equipment leases.

25. Equipment Depreciation Expense:

Report all depreciation expense related to equipment.

26. Expendable Equipment:

Report all costs incurred for purchases of expendable (non-capitalized) equipment.

27. Building and Equipment Miscellaneous:

Report miscellaneous building and equipment costs not previously identified.

28. Vehicle Leases:

Report all costs related to vehicle leases.

29. Vehicle Depreciation:

Report all depreciation expense related to vehicles.

30. Vehicle Operating Costs:

Report all vehicle operating and maintenance costs.

31. Total Paid to Certified Family Homes (CFH):

Report all payments made to Agency CFH's.

32. Other Child Related Costs (Not Provided by CFHs):

Report all other child related costs incurred by the Agency. Do not include payments made to CFH's (reported in line 31).

33. Social Worker Payroll:

Report all payroll costs for Agency employed social workers.

34. Social Worker Contracts:

Report all costs for contracted social workers.

35. Total Allowable Contract Expenditures:

The total of allowable contract expenditures related to the care and services of placed Los Angeles County children reported by the Agency in Section B, Lines 1 through 34.

C. Total Un-Expended AFDC-FC Funds from Current Agreement:

The difference between Total Los Angeles County AFDC-FC Revenues (Section A) and Total Allowable Contract Expenditures (Section B, Line 35)

D. Total Un-Expended AFDC-FC Funds Received from County Under Previous FFA Contracts

The difference between the total AFDC-FC Revenues received under previous FFA contracts with Los Angeles County and the total allowable contract expenditures made for the care and services of placed Los Angeles County children under those previous FFA contracts.

E. Total Accumulated Un-Expended AFDC-FC Funds

The total of Sections C and D.

Agency Certification

Upon completing the Semi-Annual Expenditure Report, the Executive Director must sign and date the report at the bottom of Page 2. By signing this form, the Executive Director is certifying under penalty of perjury that all information contained in the report is correct, that the amounts are traceable to agency accounting records, and that all Los Angeles County AFDC-FC program funds were spent in accordance with County, State and Federal laws. The report must be submitted by the 60th calendar day after the end of the reporting period to:

DCFS
Accounting Division
Attn: Administrative Services Manager III
800 S. Barranca, 5th Floor
Covina, CA 91723.

ATTACHMENT h

EXHIBIT E

SEMI-ANNUAL EXPENDITURE REPORT

Group Home Semi-Annual Expenditure Report (For Los Angeles County DCFS and Probation Children Only)

Agency:
Address:
Contract Person:
Phone #:
Contract Number:

Report Period:
Number of L.A. County Children:
Number of Group Homes Operated:
Number of L.A. County Child Care Days in Period:
RCL:

REVENUE AND EXPENDITURE SUMMARY		
	Total for 6 Months	Year-To-Date
A. <u>Total AFDC-FC Revenues</u> (L.A. Co. Children Only)	\$	\$
B. <u>Allowable Contract Expenditures</u> (Allowable Expenditures for the care and services of placed Los Angeles County children allocated in accordance with requirements contained in Sections 8.2 and 8.3 of the Agreement. Expenditures should be reported within the 15 cost categories listed below. Except for the requirements of allocation of costs which is described in Sections 8.2 and 8.3 Contractor shall use the SR 3 Instructions in Exhibit U to complete this report.)		
1. Child Care & Supervision		
2. Social Work Activity		
3. Food		
4. Shelter Costs – Building Rent and Leases		
5. Shelter Costs – Approved by Attorney General Self-Dealing Transactions Affiliated Leases		
6. Building & Equipment		
7. Utilities		
8. Vehicles & Travel		
9. Child-Related		
10. Executive Director Salary		
11. Assistant Executive Director Salary		
12. Administrator Salary		
13. All Other Administrative Salaries		
14. Financial Audit Costs		
15. Administration (Minus Admin. Salaries and Financial Audit Costs)		
Total Allowable Contract Expenditures	\$	\$
C. <u>Total un-Expended AFDC-FC Funds from Current Agreement</u> (Total AFDC-FC Revenues received from COUNTY less Total Allowable Contract Expenditures) [See Agreement, Section 8.6]	\$	\$
D. <u>Total unexpended AFDC-FC Funds Received from COUNTY from September 1, 2003 through the expiration date of the most recently completed contract term.</u>		\$
E. <u>Total Accumulated Unexpended AFDC-FC Funds</u> (Add un-Expended funds from current Agreement and unexpended funds from previous COUNTY GH contracts)		\$

I hereby certify to the best of my knowledge, under penalty of perjury, that the above report is true and correct, that the amounts reported are traceable to Agency accounting records, and that all AFDC-FC monies received for the purposes of this program were spent in accordance with the contract program requirements, the agreement and all applicable Federal, State and County laws and regulations. Falsification of any amount disclosed herein shall constitute a false claim pursuant to California Government Code Section 12650 et seq.

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Executive Director's Signature

Date

**AUDITOR-CONTROLLER/DEPARTMENT OF CHILDREN AND
FAMILY SERVICES FISCAL AUDIT PHASES, FISCAL AUDITS OF
FOSTER FAMILY AGENCY FOSTER CARE SERVICES
CONTRACTORS**

**AUDITOR-CONTROLLER/DEPARTMENT OF CHILDREN AND FAMILY
SERVICES FISCAL AUDIT PHASES, FISCAL AUDITS OF FOSTER FAMILY
AGENCY FOSTER CARE SERVICES CONTRACTORS**

I. Overview

To minimize delays and to increase understanding of the fiscal auditing process by COUNTY and the Foster Family Agency Foster Care Services Contractor (referred to herein as CONTRACTOR), the following is a description of the fiscal audit protocols followed by the Auditor-Controller (A-C) and the Department of Children and Family Services (DCFS) during fiscal audit reviews. All specified timeframes are estimated, and actual timeframes may differ depending on A-C and DCFS staffing, workload, and coordination of scheduling with each CONTRACTOR. The period(s) to be audited shall be consistent with the Contractor's accounting year-end. THESE GUIDELINES ARE APPLICABLE ONLY TO STANDARD FISCAL AUDITS REQUESTED BY DCFS. THE GUIDELINES WOULD NOT APPLY IN THE CASE OF INVESTIGATIONS OF ALLEGATIONS OF FRAUD OR ABUSE, OR ON SPECIAL INVESTIGATIONS AND REVIEWS CONDUCTED AT THE REQUEST OF THE BOARD OF SUPERVISORS.

II. Purpose of Fiscal Audit Review

The purpose of the fiscal audit review will be to determine whether, pursuant to the Agreement, Foster Family Agency foster care services monies are appropriately accounted for and Expended on reasonable and allowable Expenditures in providing the necessary care and services for children placed by COUNTY and served by CONTRACTOR. A-C staff also evaluates the adequacy of CONTRACTOR's accounting records, internal controls, and compliance with the Agreement and applicable federal and State regulations governing the disbursement of foster care funds.

III. Applicable Regulations

We refer to the following guidelines and regulations in conducting our fiscal audits:

- County Foster Family Agency Foster Care Services Master Agreement, including Exhibit C-2, Auditor-Controller Foster Family Agency Contract Accounting and Administration Handbook

- Federal Office of Management and Budget Circular A-122, Cost Principles for Non-Profit Organizations
- California Department of Social Services Manual of Policies and Procedures
- California Code of Regulations, Title 22

IV. Notification of Review

A-C staff will contact CONTRACTOR's representatives to notify them of the fiscal audit review and to arrange for an entrance conference. Absent extenuating circumstances, the entrance conference is to be held within 15 calendar days of this initial notification or at a mutually agreeable time. A letter will be sent to CONTRACTOR confirming the scheduled entrance conference date, time and location, and applicable documents that need to be available for review. DCFS will be sent a copy of the confirmation letter.

V. Entrance Conference

Prior to the entrance conference, A-C staff will have reviewed the CONTRACTOR's Program Statement and Agreement to become familiar with the program and to identify questions or issues to be addressed or clarified during the entrance conference.

The entrance conference permits the CONTRACTOR and the A-C staff to discuss the scope of the review. A-C staff will introduce themselves, give a brief summary of the review objectives, discuss CONTRACTOR operating hours, work space, and CONTRACTOR's fiscal audit contact person, and perform an inventory of the CONTRACTOR's records requested in the confirmation letter. CONTRACTOR should ensure appropriate fiscal personnel are in attendance to answer any questions and discuss any concerns and problems encountered with CONTRACTOR records.

VI. Preliminary

The preliminary work will start after the entrance conference. This phase is an educational process for A-C staff. All requested documentation must be made available to the A-C Staff, including but not limited to, employee records, children's case files containing clothing and food receipts, and those records identified in Section 11.0, Records and Investigations, of the Agreement.

Preliminary work will consist of becoming familiar with CONTRACTOR's accounting system and financial and accounting records, and evaluating its system of internal controls. From this work, A-C staff will determine how the records will be tested and the extent of detailed testwork that will be performed in each area (i.e., billings, salaries, non-personnel expenditures, etc.).

It is important for CONTRACTOR to have its financial and accounting records available or prepare final schedules detailing all financial activities of CONTRACTOR for the fiscal audit review period. This will expedite the review and provide A-C staff with the population of transactions subject to review.

VII. Detailed Field Work

The detailed fieldwork is an extension of the preliminary work and involves a more in-depth review of accounting and financial records, documents and transactions. A-C staff will be requesting information from CONTRACTOR in the various areas under review. The duration of detailed fieldwork varies and may take from a few weeks to several months to complete, depending on CONTRACTOR availability, condition of, and availability of the account records, and other variables.

Preliminary findings will be verbally discussed with CONTRACTOR during this stage of the review.

VIII. Summary of Preliminary Results

Upon completion of the fieldwork, CONTRACTOR will be provided a summary of the preliminary results to allow the CONTRACTOR to comment, and ensure all relevant documentation has been obtained. Absent extenuating circumstances, a due date of no less than ten (10) business days, from the date CONTRACTOR is provided a summary of preliminary results, will be set by the A-C staff for CONTRACTOR to present additional documentation in response to the summary of preliminary results. Documentation provided after the due date may not be reflected in the draft fiscal audit report and/or may delay completion of the fiscal audit process.

IX. Preliminary Draft Fiscal Audit Report/Pre-exit Meeting

Within 30 calendar days of the due date for receipt of additional information from CONTRACTOR, A-C staff will issue to CONTRACTOR a preliminary draft fiscal audit report, which contains preliminary draft findings and recommendations. The preliminary draft fiscal audit report will be faxed/mailed to the

CONTRACTOR's Executive Director. A copy of the preliminary draft fiscal audit report will be provided to DCFS.

After receipt of the preliminary draft fiscal audit report, CONTRACTOR may request a pre-exit meeting with A-C and DCFS staff to discuss the preliminary draft fiscal audit report. If CONTRACTOR desires a pre-exit meeting, CONTRACTOR must submit its request in writing to the A-C either by letter, or via electronic mail, within 15 calendar days following receipt of the preliminary draft fiscal audit report. If CONTRACTOR does not request a pre-exit meeting in writing within the allowable time period, CONTRACTOR will be deemed to have waived the right to a pre-exit meeting.

If CONTRACTOR and A-C/DCFS hold a pre-exit meeting:

*The pre-exit meeting will be held in person or if mutually agreed upon, by telephone, and participants will include the A-C, DCFS and CONTRACTOR's staff/management and non-legal representatives who are knowledgeable of the events in relation to the preliminary draft fiscal audit report being discussed.

At the pre-exit meeting, CONTRACTOR may provide additional documentation related to the findings and recommendations included in the preliminary draft fiscal audit report. After the pre-exit meeting, A-C and DCFS staff will review the documentation and determine its effect, if any, on the findings and recommendations. A-C and DCFS staff will revise the preliminary draft fiscal audit report, as A-C and DCFS determine appropriate. The preliminary draft fiscal audit report updated for any revisions deemed appropriate by the A-C and DCFS will herein be referred to as the exit draft fiscal audit report.

- NOTE: In general, A-C and DCFS will not review any additional documentation, which CONTRACTOR provides, related to the findings and recommendations in the preliminary draft fiscal audit report, at any time subsequent to the pre-exit meeting. However, in the event extenuating circumstances exist, A-C and DCFS may at their sole discretion, consider additional documentation submitted subsequent to the pre-exit meeting. CONTRACTOR should therefore be sure to provide all information, which it deems relevant at the pre-exit meeting to ensure that it is taken into consideration.

If CONTRACTOR and A-C/DCFS do not hold a pre-exit meeting:

- A-C and DCFS will not review any additional documentation, which CONTRACTOR provides, related to the findings and recommendations in the preliminary draft fiscal audit report.
- A-C and DCFS staff will issue the exit draft fiscal audit report (see Section X Issuance of Exit Draft Fiscal Audit Report).

X. Issuance of Exit Draft Fiscal Audit Report

A exit draft fiscal audit report will be prepared and sent to CONTRACTOR. CONTRACTOR will be asked to review the exit draft fiscal audit report and prepare for an exit conference, which will be scheduled within 15 calendar days of the date the exit draft fiscal audit report is received by CONTRACTOR. A-C and DCFS will contact CONTRACTOR to schedule the exit conference.

XI. Exit Conference

The purpose of the exit conference is to discuss the exit draft fiscal audit report, and the findings and recommendations contained therein, as well as any proposed wording changes which may be sought by CONTRACTOR.

COUNTY's role at the exit conference will be to answer questions regarding COUNTY policies, and clarify administrative procedures to be followed after the A-C and DCFS issue the final report. COUNTY personnel will defer any discussion related to the resolution of specific findings and recommendations until the final report is officially released.

In consideration of the discussions at the exit conference, the A-C and DCFS may, in their sole discretion, make revisions to the exit draft fiscal audit report. A-C/DCFS staff will notify CONTRACTOR via phone of any revisions to the exit draft fiscal audit report. The exit draft fiscal audit report, updated for any revisions deemed appropriate by the A-C and DCFS, will herein be referred to as the final draft fiscal audit report.

XII. CONTRACTOR Response to Final Report

Within thirty (30) calendar days of the date the final draft fiscal audit report is received by CONTRACTOR, CONTRACTOR shall submit a response to the findings and recommendations, via first-class mail, to the DCFS Fiscal Monitoring Section (see Amendment Number One, subsection 9.6). The response should address each of the findings affecting CONTRACTOR's operations, including but not limited to compliance/internal control issues and identified questioned Expenditures, and indicate corrective actions planned or already taken. As to

corrective actions planned, CONTRACTOR shall identify the dates that corrective action will be implemented and completed.

XIII. DCFS Response to Final Report

DCFS (or another office/agency within Los Angeles County) will evaluate the adequacy of the CONTRACTOR's written response to the final draft fiscal audit report. Within 25 calendar days of DCFS' receipt of CONTRACTOR's written response to the final draft fiscal audit report, DCFS will provide CONTRACTOR with DCFS' written response, which sets forth the required DCFS corrective action plan. Should Contractor disagree with the contents of the CAP, Contractor shall submit a response to the DCFS CAP within 15 business days via first class mail to DCFS Fiscal Monitoring Section. DCFS will review the Contractor's response to the DCFS CAP and issue a final required DCFS Corrective Action Plan within 5 calendar days. Should CONTRACTOR not comply with the Corrective Action Plan, DCFS may, in its sole discretion, exercise any and all remedies, including but not limited to placement of CONTRACTOR on Do Not Refer or Do Not Use status.

XIV. Final Report to the Board of Supervisors

The A-C and DCFS will make every effort to issue the final report, with the Contractor's response attached, to the Board of Supervisors within 60 calendar days after the issuance date of the final draft fiscal audit report. CONTRACTOR will be provided with a copy of the final report at the same time as it is issued to the Board of Supervisors. The final report along with the Contractor's response and DCFS' CAP will be posted on the A-C website and will be deemed a public record pursuant to the Public Records Act (Cal. Govt. Code section 6250, et seq.) It is the policy of the A-C to post final reports on the website within 24 hours of issuance.

XV. Establishment of a Repayment Plan

Within fifteen calendar days of the date of DCFS' response to the Final Report, CONTRACTOR, shall schedule an appointment with DCFS Fiscal Monitoring staff to sign a repayment agreement for recovery of the questioned Expenditures identified in the Final Report. CONTRACTOR shall sign the repayment agreement no later than 30 calendar days after the date of DCFS response to the Final Report. Should CONTRACTOR not comply with the repayment plan for questioned Expenditures, DCFS may, in its sole discretion, exercise any and all remedies, including but not limited to placement of CONTRACTOR on Do Not Refer or Do Not Use status.

**AUDITOR-CONTROLLER/DEPARTMENT OF CHILDREN AND
FAMILY SERVICES FISCAL AUDIT PHASES, FISCAL AUDITS OF
GROUP HOME FOSTER CARE SERVICES CONTRACTORS**

AUDITOR-CONTROLLER/DEPARTMENT OF CHILDREN AND FAMILY SERVICES FISCAL AUDIT PHASES, FISCAL AUDITS OF GROUP HOME FOSTER CARE SERVICES CONTRACTORS**I. Overview**

To minimize delays and to increase understanding of the fiscal auditing process by COUNTY and the Group Home Foster Care Services Contractor (referred to herein as CONTRACTOR), the following is a description of the fiscal audit protocols followed by the Auditor-Controller (A-C) and the Department of Children and Family Services (DCFS) during fiscal audit reviews. All specified timeframes are estimated, and actual timeframes may differ depending on A-C and DCFS staffing, workload, and coordination of scheduling with each CONTRACTOR. The period(s) to be audited shall be consistent with the Contractor's accounting year-end.

II. Purpose of Fiscal Audit Review

The purpose of the fiscal audit review will be to determine whether, pursuant to the Agreement, Group Home foster care services monies are appropriately accounted for and Expended on reasonable and allowable Expenditures in providing the necessary care and services for children placed by COUNTY and served by CONTRACTOR. A-C staff also evaluates the adequacy of CONTRACTOR's accounting records, internal controls, and compliance with the Agreement and applicable federal and State regulations governing the disbursement of foster care funds.

III. Applicable Regulations

We refer to the following guidelines and regulations in conducting our fiscal audits:

- County Group Home Foster Care Services Master Agreement, including Exhibit C-2, Auditor-Controller Group Home Contract Accounting and Administration Handbook
- Federal Office of Management and Budget Circular A-122, Cost Principles for Non-Profit Organizations
- California Department of Social Services Manual of Policies and Procedures
- California Code of Regulations, Title 22

IV. Notification of Review

A-C staff will contact CONTRACTOR's representatives to notify them of the fiscal audit review and to arrange for an entrance conference. Absent extenuating circumstances, the entrance conference is to be held within 15 calendar days of this initial notification or at a mutually agreeable time. A letter will be sent to CONTRACTOR confirming the scheduled entrance conference date, time and location, and applicable documents that need to be available for review. DCFS will be sent a copy of the confirmation letter.

V. Entrance Conference

Prior to the entrance conference, A-C staff will have reviewed the CONTRACTOR's Program Statement and Agreement to become familiar with the program and to identify questions or issues to be addressed or clarified during the entrance conference.

The entrance conference permits the CONTRACTOR and the A-C staff to discuss the scope of the review. A-C staff will introduce themselves, give a brief summary of the review objectives, discuss CONTRACTOR operating hours, work space, and CONTRACTOR's fiscal audit contact person, and perform an inventory of the CONTRACTOR's records requested in the confirmation letter. CONTRACTOR should ensure appropriate fiscal personnel are in attendance to answer any questions and discuss any concerns and problems encountered with CONTRACTOR records.

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CONTRACTOR for the fiscal audit review period. This will expedite the review and provide A-C staff with the population of transactions subject to review.

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Preliminary findings will be verbally discussed with CONTRACTOR during this stage of the review.

VIII. Summary of Preliminary Results

Upon completion of the fieldwork, CONTRACTOR will be provided a summary of the preliminary results to allow the CONTRACTOR to comment, and ensure all relevant documentation has been obtained. Absent extenuating circumstances, a due date of no less than ten (10) business days, from the date CONTRACTOR is provided a summary of preliminary results, will be set by the A-C staff for CONTRACTOR to present additional documentation in response to the summary of preliminary results. Documentation provided after the due date may not be reflected in the draft fiscal audit report and/or may delay completion of the fiscal audit process.

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XII. CONTRACTOR Response to Final Report

Within thirty (30) calendar days of the date the final draft fiscal audit report is received by CONTRACTOR, CONTRACTOR shall submit a response to the findings and recommendations, via first-class mail, to the DCFS Fiscal Monitoring Section (see Amendment Number One, subsection 9.5). The response should address each of the findings affecting CONTRACTOR's operations, including but not limited to compliance/internal control issues and identified questioned Expenditures, and indicate corrective actions planned or already taken. As to corrective actions planned, CONTRACTOR shall identify the dates that corrective action will be implemented and completed.

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response to the final draft fiscal audit report, DCFS will provide CONTRACTOR with DCFS' written response, which sets forth the required DCFS corrective action plan. Should Contractor disagree with the contents of the CAP, Contractor shall submit a response to the DCFS CAP within 15 business days via first class mail to DCFS Fiscal Monitoring Section. DCFS will review the Contractor's response to the DCFS CAP and issue a final required DCFS Corrective Action Plan within 5 calendar days . Should CONTRACTOR not comply with the Corrective Action Plan, DCFS may, in its sole discretion, exercise any and all remedies, including but not limited to placement of CONTRACTOR on Do Not Refer or Do Not Use status.

XIV. Final Report to the Board of Supervisors

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XV. Establishment of a Repayment Plan

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